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The Commercial and
FINANCIAL CHRONICLE
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Volume 158 Number 4236 New York, N. Y., Thursday, December 9, 1943 Price 60 Cents a Copy

When Peace Comes

Walter D. Fuller Expresses Belief That Large Percentage Of Investors In War Bonds Will Hold On To Them And Advocates Higher Interest Rate On A Refunding Issue To Insure Making This An Accomplished Fact To Curb Inflationary Spending.

We have come so far toward victory that it is now apropos to consider seriously the problems of peace, even though the war isn't yet won and there is much fighting and sacrificing ahead for everyone, Walter D. Fuller, President of the Curtis Publishing Company, told the members of the Lions Club of New York at a meeting at the Hotel Biltmore, on Nov. 30. Mr. Fuller said that the people of this country are not being fooled by all the talk of a "better world" and that they know that the kind of better world they want and can have is not one of a "free handout." Mr. Fuller said that "we have all of the ingredients of a recipe for peace, progress and prosperity" and that in the words of the President, "we have nothing to fear but fear itself." As to how we are going "to end the

Walter D. Fuller

(Continued on page 2320)

In This Issue

Special material and items of interest with reference to dealer activities in the States of Illinois and Wisconsin appear in this issue.

For Illinois see page 2314; Wisconsin, page 2318.

General index on page 2340.

World Inflation: War And Post-War

By RICHARD A. LESTER

Associate Professor of Economics, Duke University

Throughout history, wars have been accompanied by price inflation. So inseparable are war and soaring prices that all of the world's well-known inflations have occurred during or directly after a war. World War II has certainly not proved an exception to the general rule. Compared to pre-war levels, prices by the Summer of 1943 had doubled in Sweden, Switzerland, Argentina, and Peru; had increased from 3 to 4 times in France, North Africa, Bolivia, and India; and had risen 5 times in Iran and Iraq, 7 times in Turkey and Syria, 80 or 100 times in some cities in Free and Occupied China, and over 100 times in Greece. And there is reason to believe that the threat of post-war inflation will be as great, if not greater, when this war ends as it was in November, 1918.

Richard Allen Lester

In general, price inflation did not progress as rapidly during the first four years of this war (August, 1939-July, 1943) as it did during the four and one-third years of World War I (July, 1914-November, 1918). As the accompanying table indicates, official price levels have, generally speaking, increased perhaps half as much so far in this war as they did during the last war. There are, of course, marked exceptions like Greece, China, and parts of the Middle East, but for most countries in the table it is true that price increases this time have tended to be but half as

(Continued on page 2319)

Economic Fallacies Of NASD'S Profit Limitation Rule

By A. M. SAKOLSKI, City College, New York

Formerly an Economist of the Federal Trade Commission

In a half century of Federal regulation of business, there has never been a more preposterous proposition or a move so destructive of economic stability than the Profits Limitation plan recently announced by the National Association of Securities Dealers.

A. M. Sakolski

The regulation violates, in essence, the fundamental and established principles of merchandising and trade, and is at variance with well conceived and widely adopted economic doctrine. There have been examples of governmental price and wage controls throughout history, but there is no clear and consistent instance of fixing in normal times, profit margins applicable to all dealers in a trade or industry. The reason lies in the fundamental nature of profits.

(Continued on page 2334)

United States Savings and Loan League War Conference Proceedings

Included in Special Section Starting with page 2325

Landon Urges Caution On Moscow Pact

Alfred M. Landon, addressing a luncheon meeting of Republican Junior Senators, in Washington on Dec. 4, said that GOP indorsement of the "so-called agreements" reached at Moscow before they are precisely defined would be "reckless and shortsighted" and "disastrous for the country." Mr. Landon coupled denunciation of the Administration's "uncertain" foreign policy with a proposal that "real Democrats" join Republicans in drafting legislation to keep "arrogant and strutting bureaucrats within due bounds of the law." United Press advices from Washington on Dec. 4 in reporting this went on to say:

Alf M. Landon

Mr. Landon said Republicans should reject suggestions that both parties adopt in their 1944 platforms "similar declarations on foreign policy."

"Such a course would accelerate the danger of a drift toward one party in our country," he said. "This administration's record on foreign policies is as uncertain as on domestic policies. That record shows no one can be sure what it will do next."

Expressing fear that the Moscow declarations "settled little

(Continued on page 2335)

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Employees Profit-Sharing And Retirement Trusts

By KENNETH S. GASTON
President, Distributors Group, Incorporated

Investment dealers and trust officers may thank Social Security for a development that promises a greater stimulation to their respective activities than anything that has happened in years. Social Security led quite directly to corporation Pension Plans, and these in turn have led to Employees Profit-Sharing and Retirement Trusts. The Pension Plan was the answer to an insurance salesman's prayer—the Profit-Sharing Trust goes beyond the dreams of the investment dealer in his most optimistic mood.

Kenneth S. Gaston

Social Security benefits do not increase above the $3,000 per year salary scale and hence do not solve the retirement problems of higher-paid executives and employees. In 1939 an elaborate investigation of this subject was undertaken by a sub-committee of the Senate Committee on Finance. All forms of profit-sharing and "incentive" plans were examined and testimony as to their results was given by many of our leading industrialists. At these hearings the insurance industry was well represented, the investment bankers conspicuous by their absence.

The objective was to persuade industry itself to solve the problem of the higher-paid man rather than to raise the sights of Government Social Security. The immediate result was the special tax reward given to corporations who set up Pension Plans, in that contributions made by the corporation, within certain limits, were considered as business expense, deductible before computing in-

(Continued on page 2324)

Difficulty Getting Small Business Capital Serious, Says Allan Sproul

With respect to post-war problems which will concern our whole banking system, Allan Sproul, President of the Federal Reserve Bank of New York, cited on Dec. 3 "the financial gap" as one which "deserves our attention." Mr. Sproul, whose remarks were made in a talk before the Mid-Winter meeting of the New Jersey Bankers' Association in the Reserve Bank Building in New York, went on to say:

The financial gap is held to be the result of the failure of our financial machinery to adapt itself to changes in our business and industrial organization. It is claimed that many small and medium sized borrowers, worthy of capital or credit with which to start or to carry on new enterprises, have no place to go to obtain the funds they require. The difficulties of obtaining capital for small businesses through the organized investment market seem to be more generally admitted than the difficulties of obtaining credit through the commercial banking system. Nevertheless, bankers should be developing the facts and, on the basis of facts already developed or to be developed, they should see if there is anything which they can or should do about the situation. There may have been no sins of commission on the part of commercial banks or investment bankers. But if the gap exists, and if America is still America, the gap is going to be filled. And I should say it is of interest to you how it is filled and whether by public or private agencies. Banking as well as business must have an eye to the future as well as an ear to the ground if it is going to thrive and develop."

Mr. Sproul in his remarks took occasion to refer to the fact that "the world to-day is full of post-war plans and planners." On this point he said:

"At times they are an irritant to those who want to get on with the war to the exclusion of everything else. As an irritated friend of mine put it, these planners know nothing about the past, very

(Continued on page 2338)

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Cinti Municipal Men Hold Election Meeting

CINCINNATI, O.—At an annual election meeting of the Municipal Bond Dealers Group of Cincinnati, Ohio, held recently, the following Directors were elected: J. Allison Dryden, Dryden & Co., Inc., William Einhorn, Einhorn & Co., James M. Hutton, Jr., W. E. Hutton & Co., Carl Mittendorf, The Weil, Roth & Irving Co., Wm. C. Seufferle, Wm. C. Seufferle & Co.

J. Allison Dryden

The newly elected Directors met and appointed J. Allison Dryden, Chairman and William Einhorn, Secretary and Treasurer, for the ensuing year.

Customers Brokers To Hear On Electronics

The Association of Customers' Brokers will hold a meeting on Electronics on Tuesday, Dec. 14 at 3:45 p.m. in the Board of Governors' Room of the New York Stock Exchange, 11 Wall Street, 6th floor. Speakers will be David Smith, director of research of Philco Corp. who will discuss future developments of the industry, and S. Logan Stirling who will review the leading companies in the field.

Dick & Merle-Smith To Admit H. L. Mills

Herbert L. Mills, member of the New York Stock Exchange, will become a partner in the New York Stock Exchange firm of Dick & Merle-Smith, 30 Pine St., New York City, on Dec. 16. Mr. Mills has recently been doing business as an individual floor broker. Prior thereto he was a partner in Auchincloss & Mills.

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25 Spruce Street, New York 8
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Herbert D. Seibert,
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Thursday, December 9, 1943
Published twice a week
every Thursday
(general news and advertising issue)
and every Monday
(complete statistical issue—market quotation records, corporation, banking, clearings, state and city news, etc.)

Other Offices: Chicago—In charge of Fred H. Gray, Western Representative, Field Building (Telephone State 0613). London—Edwards & Smith, 1 Drapers' Gardens, London, E.C.

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Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

Subscriptions in United States and Possessions, $26.00 per year; in Dominion of Canada, $27.50 per year; South and Central America, Spain, Mexico and Cuba, $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year.

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SEC Delay In Abrogating NASD "5% Profit" Rule Stirs Anger Of Dealers

When Henry G. Riter, 3rd, of the New York Stock Exchange firm of Riter & Co., and Wallace H. Fulton, Chairman of the Board of Governors and Executive Director, respectively, of the National Association of Securities Dealers, made it clear a couple of weeks back that the Association did not have the slightest intention of rescinding its obnoxious "5%" profit limitation rule, dealers throughout the country pinned their hopes on the SEC. They felt sure that because of the autocratic manner in which this rule was foisted upon the membership, the Commission would take prompt steps to nullify it since, as the "Chronicle" previously pointed out, the Maloney Act, which gave birth to the Association, and thereby made it a quasi-governmental agency, makes it mandatory upon the Commission to see to it that the affairs of the Association are conducted in a democratic manner. As the days slip by and the SEC shows no sign of taking action

(Continued on page 2335)

More Dealer Comments On NASD Rule

DEALER NO. 83

I cannot understand why the proposed 5% profit ceiling should find any support whatsoever among the dealers. What support there is, just as was the case with the repudiated and discredited disclosure rule, seems to be coming from the larger houses. Can it be that there is a division of the industry into two camps of opposite interest and opinion? Surely the larger institutions are not trying to drive the smaller fry out of business? This is a dark thought, but as I observe what goes on from time to time, such as the apparent anxiety of member houses to force as many over-the-counter securities on to the listed boards as possible, while constantly opposing any move to reallow any part of the their board commissions to non-members, and the seeming more than ready disposition on the part of the larger units to endorse any restrictive measure proposed, such as the above-mentioned dis-

(Continued on page 2317)

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Our Anti-Trust Policy

By FREDERICK C. HICKS
Research Professor of Economics, University of Cincinnati

In An Individualistic, Profit Motive Economic System, Competition Is All-Pervading And Of The Highest Importance—But Unlimited Competition Is, Scientifically Speaking As Well As Practically, Both Impossible And Undesirable

Recently I put the question to an English economist: "Has England a trust problem such as we have?" Promptly came the reply: "No, nothing of the sort." Strange, isn't it, that a country, supposedly resembling ours in the main features of its economic system, should not be struggling over what here is one of our most vexatious problems!

Fred'k C. Hicks

The query at once arises: "Why?" Whatever may be the correct answer, it is certain that the reason does not lie in the absence of those huge accumulations of capital which are here called trusts, for there are to be found in England some of the largest examples of this feature of modern industry.

Our anti-trust policy may be said to have started with the passage of the Sherman Anti-Trust Act, which bears date of July 2, 1890. So, for nearly half a century we have been striving to solve this problem. Numerous amendments have been added to the original act, all with the purpose of strengthening it and making it really effective. Who is there to say that we have made substantial progress to that end?

The absence of a trust problem in England, in many respects so similar to the United States, and our failure after nearly 50 years of striving, to reach anything like a solution of the problem, suggest the possibility that there may be something at the very foundation of our anti-trust policy that has tended to defeat our efforts, the absence of which in England has spared that country the neces-

(Continued on page 2318)

Tax Advantages Influence Corporate Financing Methods

The following is taken from a recent issue of "Investment Timing," issued by the National Securities and Research Corp. of this city:

Many corporations in the past, particularly railroads, in reorganization proceedings have employed the device of replacing fixed interest-bearing securities with subordinated mortgage bond or debenture issues upon which a return was payable only if, as and when earned. Such unfettered securities were called "income" bonds or debentures.

Fixed Interest vs. "Income"

Because a bond or debenture is debt of a company, while stock represents essentially partnership with preferred holders resembling limited partners, a fixed interest bond or debenture of the normal type requires that both principal and interest be paid or else the holders can throw the issuing company into receivership even for a single default in interest.

"Income" bonds or debentures are obligations of the issuers, or "debt"; but, according to the provisions of the individual issue, the interest is payable only if certain conditions (usually that it is earned) are met, and no default occurs if an interest payment is not met. The interest, however, is usually cumulative.

Advantages of Income Debentures

Income debentures differ from preferred stock chiefly in representing an obligation rather than a share and in having a maturity date; but the important difference is that interest on income bonds is a charge deductible before Federal income and excess profits taxes, while preferred dividends cannot be so deducted, except in

(Continued on page 2335)

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ST. LOUIS, MO.—Clarence F. Blewer has become associated with Dempsey-Tegeler & Co., 407 North Eighth St., members of the New York and St. Louis Stock Exchanges. Mr. Blewer was formerly in the municipal trading department of the Mercantile-Commerce Bank and Trust Co., with which he had been associated for many years.

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U. S., Britain And Russia Reach Common Understanding Assuring Victory

At the conferences between President Roosevelt, Prime Minister Churchill and Premier Stalin in Teheran, Iran, plans were concerted "for the destruction of the German forces" and complete agreement was reached "as to the scope and timing of operations which will be undertaken from the east, west and south." This was revealed on Dec. 6 when the joint declaration, which was signed by the three leaders on Dec. 1, was made public. The common understanding reached, it is said, "guarantees that victory will be ours." The tri-power conferences, which lasted four days (Nov. 28-Dec. 1), also voiced confidence in "an enduring peace" through cooperation and active participation of both large and small nations.

At these meetings the three Governments also agreed on a joint statement regarding relations with Iran, assuring that country of its "independence, sovereignty and territorial integrity" and of post-war economic assistance.

The text of the declaration by the three leaders follows according to United Press advices from Teheran, Iran, Dec. 1:

A Declaration of the Three Powers

We, the President of the United States of America, the Prime Minister of Great Britain, and the Premier of the Soviet Union, have met in these four days past in this the capital of our ally, Iran, and have shaped and confirmed our common policy.

We expressed our determination that our nations shall work together in the war and in the peace that will follow.

As to the war, our miltiary staffs have joined in our round-table discussions and we have concerted our plans for the destruction of the German forces. We have reached complete agreement as to the scope and timing of operations which will be undertaken from the east, west and south. The common understanding which we have here reached guarantees that victory will be ours.

And as to the peace, we are sure that our concord will make it an enduring peace. We recognize fully the supreme responsibility resting upon us and all the nations to make a peace which will command good will from the overwhelming masses of the peoples of the world and banish the scourge and terror of war for many generations.

With our diplomatic advisers we have surveyed the problems of the future. We shall seek the cooperation and active participation of all nations, large and small, whose peoples in heart and in mind are dedicated, as are our own peoples, to the elimination of tyranny and slavery, oppression and intolerance. We will welcome them as they may choose to come into the world family of democratic nations.

No power on earth can prevent our destroying the German armies by land, their U-boats by sea, and their war plants from the air. Our attacks will be relentless and increasing.

Emerging from these friendly conferences we look with confidence to the day when all the peoples of the world may live free lives untouched by tyranny and

(Continued on page 2336)

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Government's Financial Aid Program To Lalin Amer. Republics Debated by Winkler and Jordan

Former Holds Participation In World Reconstruction Effective Only With Private Capital Dependent On Government's Attitude Toward Neighbor Countries

The pros and cons of Senator Hugh A. Butler's recent attack against the Government's program of financial aid to Latin American nations were vigorously debated at a round-table discussion on Latin American problems at the New School for Social Research in New York City on Dec. 2. The speakers included Dr. Max Winkler of the City College of New York, member of the brokerage firm of Bernard, Winkler & Co., and Professor Henry P. Jordan of New York University. Dr. Frederick Haussmann, former adviser on oil to the Venezuela Government, spoke briefly.

Dr. Max Winkler

Supporting Senator Butler, Dr. Winkler declared that students of Ibero-American affairs and advocates of closer ties among the American republics have been seriously disturbed by what in some instances seems to constitute indiscriminate and non-productive spending. "Loans, whether private or governmental, unless employed for strictly productive projects, are bound sooner or later to affect adversely the economy of both lender and borrower, and thus tend to impair relations between the United States and the countries south of the Rio Grande."

Excerpts from Dr. Winkler's remarks follow:

"The Administration appears to be repeating the mistakes made by certain American bankers and underwriters in the 'twenties in connection with the extension of credits to and the issuance of loans on behalf of the southern republics. What the Government has so severely attacked and sharply criticized only a decade

Dr. Henry P. Jordan

(Continued on page 2339)

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Baker Of Bank Of Manhattan Co. Reports Net Operating Earnings For 1943 Of $4 Million

Assets At New High Exceeded Billion Dollars; To Continue Extra Dividend

In his annual report on Dec. 7 to the stockholders, J. Stewart Baker, Chairman of the Board of the Bank of the Manhattan Company of New York, stated that, "based on actual figures for the first nine months, and estimated figures for the last three months, the net operating earnings of the bank for this year will amount to approximately $4,000,000, compared with $3,623,900 for 1942."

Mr. Baker went on to say:

"These figures do not include net profits realized on the sale of securities. The net profits realized on the sale of United States Government securities for eleven months of this year, after deducting an appropriate amount for taxes, amounted to $2,530,000. In accordance with our policy of the past five years, these profits are added each quarter to the reserve for our Government bond portfolio. On the sale of our other securities net profits of $122,000 were realized. The average rate of return so far this year on our loans and investments has been at the annual rate of 1.60% as compared with 1.80% last year, but as the funds invested in these items have averaged $165,000,000 more, our net operating earnings have increased in spite of the fact that taxes charged against operating earnings will be over $1,000,000 higher than in 1942."

Mr. Baker announced in his report that "in addition to the regular dividend for the current quarter, the directors plan to declare a special year-end dividend of 10 cents per share, as they have done for the past several years." Mr. Baker further said:

"If this is done, dividends declared for the year will amount to $1,800,000, which will be approximately 45% of net operating earnings, not including net profits realized on the sale of securities. The directors are conscious of the natural desire of the stockholders to obtain if possible a larger return on their investment in the company. However, the directors feel under present conditions, in view of the great expansion in the business of the company, a conservative dividend policy which permits substantial sums to be added to undivided profits and reserves is in the best interest of the company and, therefore, of its stockholders."

From Mr. Baker's report we also quote:

"As I reported previously, a plan of supplemental compensation was established effective July 1, 1941, providing for quarterly payments of an amount equivalent to 6% of the first $3,000 of annual salary to officers and other employees whose annual salaries are not more than $5,000. In order to help the members of our staff meet the further rise in the cost of living, application has been made to the proper Government supervisory authorities to permit an increase in this supplemental compensation to 12%, effective Oct. 1, 1943, and to allow it to be paid on the first $4,000 of annual salary. If this is granted, a further application will be made to permit this compensation to be paid also to those whose salaries are between $5,000 and $7,500."

It is noted in the report that "during the year, a milestone was reached when the assets of the company exceeded one billion dollars."

The report adds:

(Continued on page 2316)

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Railroad Securities

Improved treatment for the bulk of Seaboard Air Line Railway securities, made possible by allocation of an additional $5,091,085 in cash and $8,989,120 more in first mortgage bonds, as proposed in a compromise plan of reorganization, was approved by Federal Judge W. Calvin Chesnut on Dec. 1, in the U. S. District Court at Baltimore. This action of the court paves the way for completion of the reorganization of the road which has been in equity receivership since December 30, 1930. The compromise plan was presented to the court by E. E. Sunderland, chairman of the three-man arbitration committee, selected by Judge Chesnut to compose differences among Seaboard security groups which had objected to the plan presented to the court by Special Master Tazewell Taylor last July. Judge Chesnut in approving the compromise plan asserted that security holders, "must take or leave what now has been offered them." He further asserted that within two or three months either the reorganization should be put through, bankruptcy proceedings started or the receivership dismissed outright by order of the court. "One way or another this receivership in the equity court must be closed and is going to be closed," he said.

The following is a tabulation of the claims and allocations per $1,000 of principal under the compromise committee's proposals:

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ALLOTMENT OF SEABOARD SECURITIES UNDER COMPROMISE PLAN
(Per $1,000 Principal Amount of Indebtedness)

	Total claims plus interest to 1-1-44	Cash	First mtg. bonds	Income mtg. bonds	Pfd. stock	Common at $100 a share	Totals
Underlying Divisional Mortgage Bonds:							
Carolina Central 1st cons. 4s 1949	$1,340	$340	$830	$170	----	----	$1,340
Fla. Cent. & Penn. 1st cons. 5s 1943	1,435	435	1,000	----	----	----	1,435
Fla. West Shore 1st 5s 1934	1,725	----	117.76	555.50	$377.14	$674.60	1,725
Georgia & Alabama 1st cons. 5s 1945	1,625	----	58.74	262.55	107.88	614.61	1,043.78
Georgia, Carolina & Northern Ry. 1st 6s 1934	1,866.10	----	356.69	441.33	158.09	898.48	1,854.69
Raleigh & Augusta Air Line 1st 5s 1931	1,240	See †					
Raleigh & Gaston 1st 5s 1947	1,258.50	See †					
Seaboard-Atlanta-Birm. 1st 4s 1933	1,703.47	----	311.31	367.38	146.98	835.04	1,660.71
Seaboard & Roanoke 1st 5s 1931	1,600	----	290.93	420.94	237.05	651.08	1,600
South Bound (So. Div.) 5s 1941	1,871.88	----	80.08	480.74	110.79	630.56	1,302.17
Seaboard General Mortgage Bonds:							
First 4s 1950	1,665.20	----	136.81	699.53	460.33	368.53	1,665.20
Ref. 4s 1959	1,867.05	----	108.07	261.32	33.78	566.34	969.51
Adj. 5s 1949	1,933.33						
First & Cons. 6s	2,108.09	----	194.47	338.32	55.56	598.72	1,187.07
Seaboard Collateral Trust Obligations:							
5% Secured Notes	1,961.13	----	155.56	270.62	44.44	478.91	949.53
*Subsidiary and Terminal Companies:							
Seaboard-All Florida Line 1st 6s A & B 1935	2,117	See †					
Georgia & Alabama Terminal 1st 5s 1948	1,819.27	----	50.08	198.76	99.48	566.32	914.64
Georgia, Fla. & Alabama 1st & ref. 6s 1952	2,063.75	750	----	----	----	----	750.00
Tampa & Gulf 1st 5s 1953	1,873.75	----	74.12	348.65	130.98	746.53	1,300.28
Tampa Northern 1st 5s 1936	1,075	1,075	----	----	----	----	1,075

*Properties of these subsidiary railroad and terminal companies are operated by the receivers as part of the system.
†Properties subject to these mortgages to be acquired by reorganization committee through foreclosure.

The modified plan of reorganization now provides for distribution of approximately $5,500,000 in cash, and $185,000,000 in new securities in settlement of $305,000,000 in principal and interest claims submitted by bondholders. Without interest the claims would total approximately $160,000,000.

Steps have already been undertaken by the committee of reorganization managers — Charles Makell, Baltimore, Joseph France, Baltimore, who represented the underlying bondholders, and Otis A. Glazebrook, New York, who is Chairman of the committee of general mortgage bondholders—preliminary to its efforts to reorganize the railway. Judge Chesnut is expected to sign the order confirming the compromise reorganization. The order is now being made ready for his signature.

Preparations are already being made by the reorganization managers to apply to the Interstate Commerce Commission for authority to solicit deposits of bonds. It is expected that it will require several weeks before this application can be presented and acted upon. Consequently, it likely will be some time in January before solicitation of deposits can start.

Approval of the Commission is required under Section 20a of the

(Continued on page 2337)

In our opinion the proposed allocations suggested by the Compromise Committee in the

SEABOARD AIR LINE

Reorganization would mean higher values for every outstanding Seaboard bond, with two exceptions. We believe this reorganization should be effected in an equity proceeding.

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Chicago Brevities

Steps were taken in La Salle Street last week toward the formation of a new association of securities dealers in Illinois. Two meetings of over-the-counter dealers already have been held, the latest of which took place last Thursday in connection with the movement. At the last meeting, it was decided to appoint a committee and delegate to it the task of drafting a report, which will outline the objectives of a new organization.

The task of selecting the committee was left to Henry T. Berblinger, secretary and treasurer of Sills, Minton & Co., who presided at the session held last Thursday. Mr. Berblinger had not announced the personnel of the committee at week-end.

While preliminary steps have been taken, it is not definite that a new association actually will be formed. After the new committee has drafted its report, over-the-counter dealers will be called to another meeting, at which time a decision is to be made as to whether an association shall be formed.

Question To Be Decided

The movement for the new association has been launched so recently that many dealers have not had an opportunity to decide whether there is any need for it. Some leading dealers who attended the most recent meeting said one of the questions that will have to be decided is whether a new organization could serve any purpose that is not now handled by the National Association of Securities Dealers, Inc., or the Investment Bankers Association of America.

The new organization, according to dealers who have been prominent in the movement, would be in the nature of an addition to the NASD. It would be open to all securities dealers in Illinois, both those handling listed as well as unlisted obligations. It would handle matters of local, rather than national nature, and among other things would consider State legislation affecting the securities business.

The movement toward formation of a new association was launched following the release of the report by the board of governors of the National Association of Securities Dealers on the question of spreads. Dealers in informal conversations began to discuss the implications of the report, which led to a meeting on Nov. 26 attended by representatives of about seven firms, in the offices of Sills, Minton & Co. It was at this meeting the idea of forming a new association first was brought up.

40 Dealers Attend Meeting

The idea gained root, and last week's meeting, also held in the offices of Sills, Minton, came as an outgrowth of the Nov. 26 session. Last week's meeting was attended by representatives of about 40 firms.

One point was made clear following the second meeting. This was that the new association would not be formed as a protest over policies of NASD. Some leading dealers, in attendance at the conference, were understood to have voiced strong objections to the formation of an organization whose policies were not in harmony with those of the national association.

Some dealers have felt right along that there should be an association of dealers in Illinois, so that matters of local importance could be considered when occasion arose. In this connection it is pointed out that associations of dealers exist in many other States.

Prior to last week's meeting some rumors had circulated that the purpose of the session was to protest the stand of the NASD on the question of spreads. These rumors were quickly spiked by dealers in attendance at the meetings.

County Financing

The fact that the $8,346,000 funding operation of Cook County, Ill., is yet to be finally consummated continues to be a subject of interest along La Salle Street. The county, which embraces the City of Chicago, awarded an $8,346,000 bond issue, for the purpose of funding its unpaid bills and judgments as of Dec. 1, 1942, to Seipp, Princell & Co. The municipal bond firm was to take delivery by Dec. 1 on the first $3,633,000 of the bonds, but it failed to do so. According to its bid, the remaining $4,713,000 are to be delivered by Dec. 15.

The financing operation has not been consummated, because an approving legal opinion on the bonds has not been obtained from a firm of municipal bond attorneys. The firm of Chapman & Cutler, which normally passes on bond issues of Chicago governmental units, declined to approve the county flotation until the un-

(Continued on page 2315)

Chicago Recommendations

Adams & Co., 231 South La Salle St., have prepared a four-page memorandum showing recent figures on securities of **Chicago Surface Lines.** Copies of this interesting memorandum may be had from the firm upon request.

Brailsford & Co., 208 South La Salle St., now have October figures available on earnings of **Chicago North Shore & Milwaukee Railroad**, copies of which may be had upon request.

Brailsford & Co., 208 South La Salle Street, have a very recent three-page circular showing data on **Government of Chile** obligations. This comprehensive memorandum prepared by the firm's foreign department will be sent upon request.

Cruttenden & Co., 209 South La Salle St., have compiled late data on **Maryland Dry Dock Co.** common. Copies of these data may be had from the firm upon request.

Doyle, O'Connor & Co., 135 So. La Salle St., have prepared interesting memoranda on the current situations in **Midland Utilities Debenture 6s of 1938** and **Federal Water and Gas Corporation** common. Copies of these momerandum will be sent by the firm upon request.

Enyart, Van Camp & Co., 100 West Monroe St., specialists in **Chicago and Suburban Bank Stocks**, will furnish latest quotations on request.

Fred W. Fairman & Co., 208 So. La Salle St., have issued an attractive 30-page descriptive brochure on **Interstate Aircraft & Engineering Corp.**, copies of which are available from the firm upon request.

(Continued on page 2315)

Tomorrow's Markets Walter Whyte Says——

Industrial stocks continue to act better than market. Certain issues appear on verge of new move. Impact of early peace should not affect rail equipments.

By WALTER WHYTE

After last month's market reaction the consensus of opinion was that prices would go lower. Two weeks ago I wrote here that a bottom was in sight even though lower prices would be seen first. Last week I indicated that the reaction may not run as deep as I first thought and recommended the purchase of Steel. Up to this writing the stock has not gone to the purchase level and from the action of the market in the past seven days it doesn't look as if it will.

* * *

The marked divergencies in not only groups but individual stocks within the groups I commented on in last week's column is not becoming evident to even the casual eye. Frequently such action indicates the beginning of a new move. Whether or not this will prove the case now is something only time will tell. But from the action of more than just a handful of stocks the odds seem to be in favor of more advance before any serious decline.

Of course the element of news cannot be disregarded. The results of the widely publicized conferences will undoubtedly have an effect on the price structure in months to come. Still, I don't know what plans were made between Roosevelt, Churchill and Stalin but the market, which always has a shrewd idea of the direction of prevailing winds, doesn't seem to be concerned. Of course the decisions reached at the conferences are long range in character and daily market fluctuations should not be expected to mirror them. But even minor moves like ripples on the water indicate coming storms.

* * *

On the domestic front we are better informed and whatever reflection occurrences at home have on the market picture can be pretty well gauged. The fact that there is concern about the impact of peace on a war converted industrial set-up cannot be ignored. I feel however that much of this concern is exaggerated. But assuming it isn't, there is at least one industry which can come out of war into a peace economy with a minimum of disturbance. The industry is the rail equipments.

* * *

If the war continues for a longer period the rail equipments will still continue to make money. If it has to convert to peace-time activity it

(Continued on page 2337)

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Chicago Brevities

(Continued from page 2314)

paid bills to be funded were certified by the Illinois Supreme Court in a test suit. Seipp, Princell offered to buy the bonds subject to receipt of an approving opinion from Chapman & Cutler or any other firm of attorneys acceptable to the bidder.

P. P. Princell, Vice-President and Secretary of the municipal bond house, was in New York last week conferring with a firm of attorneys, and said on his return to Chicago that he was hopeful that he would be able to take delivery on the entire $8,346,000 of bonds this week.

War Financing

Plans already are being formulated in Chicago for the Fourth War Loan Drive of the Treasury Department, which will open Jan. 18 with $14,000,000,000 goal. Frank McNair, Executive Vice-President and Director of the Harris Trust & Savings Bank, has been appointed chairman of the drive in the Cook County area. Irvin L. Porter, Vice-President of the First National Bank of Chicago, headed the Third War Loan drive of September in the county.

STANY Elects Willis Summers President; Proposed Changes In By-Laws Passed

Willis M. Summers of Troster, Currie & Summers was elected President of the Security Traders Association of New York for 1944 at the Association's annual meeting.

Willis M. Summers

Richard F. Abbe

C. E. de Willers

George Leone

John S. French

Other officers elected were: First Vice-President, Richard F. Abbe, Van Tuyl & Abbe; Second Vice-President, Chester E. de Willers, C. E. de Willers & Co.; Secretary, John S. French, A. C. Allyn & Co., Inc.; Treasurer, George V. Leone, Frank C. Masterson & Co. Trustees of the Gratuity Fund to serve two years: Cyril M. Murphy, Mackubin, Legg & Co., and Gustave J. Schlosser, Union Securities Corp.

National Committeemen—Three Delegates: Robert A. Torpie, Merrill Lynch, Pierce, Fenner & Beane; Roger S. Phelps, Campbell Phelps & Co., Inc., and J. J. O'Kane, Jr., John J. O'Kane, Jr. & Co., and five alternates: Michael J. Heaney, Joseph McManus & Co.; Thomas Geoffrey Horsefield, Wm. J. Mericka & Co., Inc.; Oliver Kimberly, J. K. Rice, Jr. & Co.; Allison W. Marsland, Wood, Gundy & Co., and Frank Edward Mulligan, E. H. Rollins & Sons.

Three Members of the Board of Directors to serve two years: Herbert Allen, Allen & Co.; P. Fred Fox, P. F. Fox & Co.; Frank A. Pavis, Chas. E. Quincey & Co.

The changes proposed in the By-Laws of the Association by the Board of Directors were approved after a spirited discussion, particularly regarding the creation of an elected nominating committee. This latter measure was adopted and hereafter the Association will elect a five-man nominating committee each year at the annual meeting.

Chicago Recommendations

(Continued from page 2314)

John J. O'Brien & Co., 231 So. La Salle St., are issuing reprints of their original analysis of **American Superpower Second Preference Stock**, listed on the New York Curb Exchange, with additional material to bring it up to date. Copies of this interesting analysis will be sent by the firm upon request.

Sincere & Co., 231 South La Salle St., will supply late data on **Iowa Electric Light and Power Preferred Stock**, copies of which will be sent upon request.

Straus Securities Co., 135 South La Salle St., will send upon request a late pamphlet showing data on **Chicago City Railway, Chicago Railways** and **Calumet & South Chicago Railway**, all first 5s due 1927.

An interesting trend is observed in glancing over **Thomson & McKinnon's** recent publications, a good proportion of them being devoted to **international or foreign issues.** Their most recent circular is on **International Nickel Co. of Canada**; the previous one was on the **Cuban sugar** producing companies. Prominently featured in their current **"Review of the Week"** is an analysis on **Canada Dry** stock, and their latest Bond Review gives considerable space to **International Tel. & Tel., American & Foreign Power,** and **Brazilian bonds.** However, our own industries are not overlooked as their **"Review of the Week"** goes into detail on the subject of the **cement producing companies** and their long-term outlook, and their **Bond Review** to **Leased Lines** (guaranteed railroads of which there are 140) with a special article on Lackawanna.

Copies of these releases may be obtained without cost by addressing **Thomson & McKinnon's Statistical Library**, 231 So. La Salle St., Chicago 4.

F. S. Yantis & Co., 18 South La Salle St., have issued a special report of **Consolidated Biscuit Co. Common Stock.** Copies will be sent by the firm upon request.

Interstate Aircraft & Engineering Corporation

El Segundo, Gardenia and Los Angeles, California DeKalb, Illinois

Figures for the initial six months of the current fiscal period approximate $312,509.75, or the equivalent of $2.44 per share after tax reserves.

Sales for the six months ending Oct. 31, 1943 were $10,068,322.40, which amounts to $2.44 per share net after taxes on the 128,000 shares of common stock.

Net current assets as of Oct. 31, 1943 total $677,305 or approximately $5.30 per share. Approximately 45% of Interstate's production is derived from proprietary articles — a favorable factor in the renegotiation of war contracts.

Dividends so far this year were $5.00 stock April 1943, 25 cents cash to stockholders of record Dec. 3, 1943, payable Dec. 10, 1943. Capitalization — 128,000 shares common stock. No Bonds. No Preferreds.

Ins. Stocks After the War

Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, Calif. are distributing an interesting booklet discussing the prospects for insurance stocks after the war. Copies of this booklet, and a memorandum on "National Liberty Insurance Co. of America" may be had from the firm upon request.

Associated Gas & Electric Situation of Interest

The current situation in Associated Gas & Electric Corp. offers attractive possibilities from a long-term outlook, according to an interesting circular issued by Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this circular and a brief history, summary of the plan of reorganization, litigation, and corporate chart may be had from the firm's Research Department on request.

Foster, Brown to Admit

Foster, Brown & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Margaret S. Faircloth to partnership in their firm as of Jan. 1, 1944.

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Public Utility Securities

Anticipated Settlement Of United Gas Recapitalization Problems

Wall Street was much interested in reports several weeks ago that a final decision was imminent at Philadelphia regarding settlement of the long-standing difficulties over recapitalization of United Gas Corporation. While executives from 2 Rector Street were reported in conference with SEC officials, nothing tangible or official has yet been forthcoming regarding changes in the refunding plan of May 5, 1941, which would have facilitated streamlining the company and its relations with the two holding companies, Electric Power & Light and Electric Bond & Share.

However, Street reports seem to agree that there may be an increase in the proposed bond issue from $75,000,000 to $100,000,000 (permitting Federal tax savings). Of the corresponding amount of cash, some $42 to $44 million would be handed over to Electric Bond in settlement of United Gas debts to that company approximating $53,000,000, it is said. The remainder, it is generally assumed, may be used to refund the United Gas $7 preferred stock at the call price of 110, plus arrears of $11.62, which would require about $55,000,000.

What would EL get out of the deal? It owns the entire issue of 884,680 shares of United Gas $7 second preferred stock, on which arrears total nearly $83 per share —a total book claim of some $162,000,000. It also owns 48½% of the common, while Electric Bond has 9.6% and the remainder is held by the public. One guess has been that EL would receive the entire issue of a new $5 1st preferred stock, and that this stock might eventually be turned over to holders of EL 1st preferred. Another rumor is that EL would get $12,000,000 cash and 97% of the new United Gas common—presumably leaving only 3% for the public holders. (This assumes that United Gas would have only bonds and common stock.)

Evidently there is a wide range of opinion as to what public holders of United Gas common stock may salvage out of any forthcoming plan. This stock has enjoyed wide price swings due to the big capital leverage, with an all-time range of 50½-¼. During 1942-43 it rose from 5/16 to 4⅝, and in the past few weeks it has had erratic swings, the price at the moment being 2¼. Assuming that in the reshuffle the common stock held by EL and EBS is subordinated or cancelled, the 3,271,207 publicly held shares, currently valued marketwise at about $7,350,000, appears to reflect an anticipated claim on earnings of about $735,000 (assuming a 10-times-earnings ratio). But there is no basis whatever for determining whether the common will be assigned any such share of the current earnings, which amount currently to about $8,600,000 after estimating interest on the new bonds. Thus the anticipated amount would be equivalent to about 8½% of the aggregate earning power, which seems on the high side.

In recapitalizing holding companies the amounts thus far allotted to common stockholders have varied roughly from 5 to 15%. In the United Light & Power case about 5% was allowed (one preferred stockholder is suing to reduce the amount). In the Commonwealth & Southern case stockholder groups have recently reached a compromise agreement to reduce the proportions from 20 to 15%. In the Virginia Public Service case 5% was proposed but the SEC suggests raising this to 9% (Associated Gas is dissatisfied with this because of offsetting losses). American Power & Light recently proposed 10%. But in the present case there are two preferred stocks, one with small arrears and the other with very substantial arrears. While the latter is held by the parent holding company the SEC apparently recognizes that it was a legitimate investment and hence does not require subordination or cancellation. Therefore it appears rather dubious the common stockholders would get more than 5% of the new common stock issue, assuming that the remainder goes to EL.

On the other hand, if the SEC should permit issuance of a new $77,000,000 1st preferred stock issue to be turned over to EL (as conjectured by a writer in Barron's) this would make a vast difference since it would permit carrying down to common stock earnings nearly $5,000,000. If the old common received the sole claim on these earnings, market value might jump to around 17—unless, as assumed by Barron's, public stockholders would get only one-third of a share of the new common, with an estimated value of $6.

The above is not intended as a forecast, but to illustrate the difficulties of appraising the situation. Obviously, it is dangerous to forecast any definite value for United Gas common until the SEC has rendered its official verdict and the three companies involved have indicated their agreement. Even then it remains possible that recalcitrant stockholders or stock groups might tie up the whole matter in the courts for some time to come. Only one conclusion seems warranted at this time—that preferred stockholders of EL seem likely to benefit by eventual restoration of a flow of income from United Gas.

PUBLIC SERVICE CO. OF COLORADO
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Baker Reports 1943 Net Operating Earnings

(Continued from page 2313)

"This was the result of a general rise in deposits and the large balance to the credit of the United States Government's War Loan Account. Purchases of Government securities from the Treasury Department for account of our customers and ourselves are made by credits to this account, in accordance with the desires of the Treasury Department. So far this year the balances in this account have averaged approximately $93,000,000, with a high point of over $163,000,000. Our deposits today are almost $400,000,000 more than they were five years ago, while our investment in Government securities increased $353,000,000 and our loans and discounts $84,000,000. The large increase in recent years both in deposits and in holdings of Government obligations in the commercial banks suggests new problems which must be faced when war-time Government requirements are succeeded by peace-time civilian demands.

"On Dec. 1 we owned $432,368,000 United States Government obligations and $22,500,000 obligations fully guaranteed by the United States Government. The average maturity of our entire Government portfolio was 7 years and 4 months. If the earliest call dates are used for the securities which are callable, 40% will mature before Dec. 31, 1944, and 95.5% before Dec. 31, 1951, and they will have an average maturity of 5 years and 2 months."

At the conclusion of his report, Mr. Baker observed that "while at war we must prepare for peace, as peace will bring problems perhaps more difficult to solve than those which faced us two years ago."

In part Mr. Baker added:

"We must be careful, in our eagerness to solve a particular problem, we do not adopt a plan or policy which will lead us into paths we do not want to follow and perhaps to a place we do not want to be. Not until the end we seek has been clearly defined can we wisely decide the best means of obtaining it. So, in preparing for peace, let us first determine the goal we would reach and then proceed to a consideration of our problems in the light of the results desired.

"With this in mind, I shall refrain at this time from discussing any of the financial and economic problems which are sure to arise with the coming of peace. The solution of some of them will be difficult and will require a most careful consideration of all the angles involved. New and untried schemes will be suggested which must be subjected to the severest scrutiny before being adopted, in order that the cure may not prove worse than the disease. It is most important that both the problems and the proposed solutions be clearly and accurately set forth so that the people will have the facts unadorned, and uncamouflaged, before decisions are reached. Thus they can guard against the adoption of unsound projects and the assumption of unwanted commitments. This is the wise procedure; this is the American way."

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61 BROADWAY FIRST MORTGAGE BONDS

Brief Resume Of The Property And The Significance If The Trustee's Plan Of Reorganization Is Accepted By The Court And Bondholders.

Actually, there will be very little difference in the writer's conclusions regarding this bond issue whether or not the Trustee's plan is finally accepted by the bondholders and approved by the Court or not. His premise is predicated on the current market price of the present first mortgage bonds. He is convinced that any plan finally consummated as a result of the bankruptcy proceedings now going on must give almost the entire property to the present first mortgage bondholders. Therefore, the actual securities finally given to accomplish this purpose do not matter. However, it seems that the trend of the times is for the Federal Government to insist on a reduction of the funded debt in reorganizations. We may, therefore, asume that the plan offered by the Trustee has an even chance of success.

The present first mortgage bonds are currently selling below 25. The plan proposes cutting the bonds in half. For our resume we can, therefore, consider the new bonds at a price somewhat less than 50. In view of the facts concerning the property, the writer believes these securities are far under-valued by the present market.

The Trustee proposes to give each first mortgage bondholder a new $500. first mortgage bond for each $1,000. bond now held. The present second mortgage bond issue will be eliminated and those bondholders will receive capital stock representing only about 2¾% of the ownership of the property, while the major portion of the ownership—approximately 97¼% — will be given in the form of capital stock to the present first mortgage bondholders, in addition to their new first mortgage bonds. Provision is also made in the plan for a distribution to the first mortgage bondholders at the conclusion of reorganization proceedings of the balance of any cash on hand, after payment of the expenses of the reorganization and the setting aside of $100,000. for working capital for the new Company. The Trustee reported cash on hand as of June 30, 1943 in the amount of $254,819.72.

The plan further provides for the use of the first 25% of the net income of the property to retire the new bonds. The 75% balance will be used to pay interest, if earned, up to 6% per annum on the new bonds. Any balance might be used for additional bond retirement or applied to any corporate purpose the Board of Directors may elect, including the payment of dividends on the capital stock.

The new company will be managed by a board of 5 or 7 Directors as may be determined by the Court. The Trustee, Bondholders Committees and any holder of first mortgage bonds shall be given the privilege, prior to the consummation of the plan, to make suggestions to the Court as to who shall be the Directors.

In spite of store space now vacant that prior to the War produced rental of over $110,000 per annum, the current gross rents are about $818,955. After operating expenses and taxes this should leave about $278,386 for amortization and interest on the new bonds, before administration expenses. Roughly figuring, this should be sufficient to pay approximately 5½% interest on the new bonds, with something left over for amortization.

Successful renting of the store and other vacant space of the building (about 13.82%) might increase these figures considerably, possibly enough to pay dividends on the capital stock.

An extremely important fact in connection with this property is that out of the total income of $818,955 only $51,118 represents income from Government leases. The space occupied by this type of lease amounts to only 30,800 square feet out of a total rentable area of 451,000 square feet.

Despite the fact that this new mortgage will be cut in half, similarly reducing the first mortgage bonds, at current market price a value of less than 50 is placed on the new first mortgage bonds with stock. If the writer's estimate of possible income is correct, it will mean a return of over 12% on a present investment. Considering the value of the new securities, it would seem as if current prices are far too low.

The new first mortgage bond issue will amount to $3,961,000. At 50% a value is placed on the entire property of only $1,980,500.

So much for suppositions if the Trustee's plan is approved. Let us see what we actually have now. As stated before, we believe that in any event the present first mortgage bondholders will eventually own practically all of this property. We now have a first mortgage bond issue of $7,927,000 currently selling at 23%. This places a value on the entire property of only $1,823,210.

Compare this $1,823,210 with the value placed on the property by the City of New York in its 1942-3 assessment. After commencement of a Certiorari pro-

(Continued on page 2333)

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SEC Delay In Abrogating NASD "5% Profit" Rule Stirs Anger Of Dealers

(Continued from page 2311)

closure rule and the profit-limitation rule. Such houses would be a good deal smarter if they would show a disposition to act for the good of the whole industry, a very considerable and important part of which is represented by the smaller houses. Other industries have free associations whose members stick by each other in fighting hostile legislation and rulings, and in defending the inherent rights which they feel they have. We could have such an organization, parallel to, and not interfering at all with our membership in the NASD, nor being in any way inconsistent, and perhaps it might help to create a more friendly and cooperative spirit among us and more of the courage and independence that is born of pride and faith in one's own line of business.

This profit-limitation rule looks to me like just one more move toward firmer control and supervision of the industry, and for that reason it should be eyed with suspicion. But even if you accept the theory that it is for the good of the industry and the investing public, in its general outline and intent, there is still no reason that you should rush to join the cheering section. Of course, if you represent a larger house, where your main business is underwritings, blocks of securities sold after the close, and brokerage, the latter usually in substantial or large lots, then you cannot have the same concern as that of the small dealer whose work is among private investors and whose individual sales may not average high no matter what his annual volume may run. I will concede that, in all these proposals, it makes a difference whose hay is getting wet, but after all there are still such things as common sense and fairness, and these qualities are bound to operate in the long run for the good of all of us. We will of course assume that the larger houses have always limited themselves, and will continue to so limit themselves, to a maximum gross profit of 5% on all underwritings and sales of blocks.

A small commission on a purchase or sale is a fair enough proposition, where the transaction is purely of a brokerage nature. The broker simply acts as middleman, between two parties who are ready to buy and sell, and he usually acts in a well defined market. The parties are brought together, for a fee paid for the agency service, and no greater effort is expended than a couple of telephone calls. The volume is likely to be greater than would be the case with the average sale of the dealer, as principal, to a typical investor and, furthermore, the listed broker in the case of a margin account has the advantage of easier turnover in the account as well as the fact that the collateral posted will allow purchases of about twice its amount.

The dealer, on the other hand, with some little statistical work and preparation, finds a security which he presents to his clients, setting forth some particular virtue such as profit possibilities, attractiveness as a sound investment at a decidedly reasonable price, or what not, and, with telephone calls and personal visits, uses his salesmanship to make the sale. He brings something to the customer's attention which might not otherwise have come before him.

In other words, the salesman is not merely selling a **security**—he's selling an **idea.** Ideas are what keep any business healthy, and in any other line they usually receive their just reward. I may find a very promising and worthy stock which I can buy, after I have made a very thorough check of the market, at 3½. With a 5% profit ceiling, I must sell this stock at a profit of 17½ cents per share. Suppose I sell 25 shares. My commission would be 4.37½, and if par value was $1, my tax would be 80 cents, leaving me $3.57½. If, to may bad luck, the stock was "no par," $2 in tax would come off, leaving me with $2.37¾. The stock exchange minimum commission on such a sale would be $5 and no tax would be involved. Edgar Bergen once told Charley McCarthey that an antique table they were looking at cost $1,000 while an exact copy was available for $50, explaining to the incredulous Charley that the worm holes in the original were genuine while those in the reproduction were man-made. "Good heavens!" exclaimed Charley, "are men working cheaper than worms these days?"

As far as the angle of protection to the investor goes, why should not he use the same discrimination in selecting a dealer and in passing upon any security offered which he uses in making purchases in other lines? Because there **might** be danger of his being cheated by an unscrupulous dealer, is that any reason that the whole industry should be constantly suspected?

So far we have never had a chance to vote on anything, nor have we even had the opportunity of a small voice in nominating Governors of the NASD. If we could vote on the present proposition it would be **NO** in unmistakable form.

DEALER NO. 84

Editor, Commercial and Financial Chronicle:

I am very much interested in the articles in your paper relative to profits in the security business, and take this opportunity to thank you for the support you are giving to our cause. The articles mentioned have voiced my opinion 100%.

I would like to cite the conditions under which the security dealers in this wide country territory have to operate.

Now for a good picture of that end of our business known as "getting the order," let some of the "intellectuals" take out their map and note: We serve a clientele located in seven counties.

Please bear in mind that 99½% of our business is secured through personal contact and 90% of this amount is secured from clients living anywhere from 25 to 175 miles from our office.

When you double this mileage for the return trip and then add extra mileage for making sometimes two and three trips before you are able to close a deal, what is your net profit?

We sell only to individuals and the average order is less than $500, which averages over 100 miles driving per order. It is a swell job when there is from two to four feet of snow on the ground and the temperature is anywhere from 10 to 30 degrees below zero.

I would like to ask the members of the Board of Governors of the NASD, and also members of the SEC, if they can cover this territory on a straight 10% basis and make a living wage. If any one of them are interested, please remember I am looking for good salesmen.

One-half of our business this year comes through the sale of securities by prospectus which have paid a gross of 10% or better and the other half from the sale of secondary market issues on which our gross has averaged about 8½%.

Out of the net profits on this business the owner has drawn less than $25 per week for his salary and yet the company shows a deficit for the year.

It has taken many years of work to establish our business and the writer believes we are entitled to a fair return on our investment. It costs just as much to sell a secondary market issue as it did to sell the same security from the prospectus originally. If the service was worth 10% on the first transaction, why is it not worth 10% on the second transaction?

If the market is down in price we automatically make less in terms of dollars and cents, and after all is said and done, what is it that pays the grocery bill?

Through mal-distribution of gasoline and other socialistic rulings our business has been cut to less than 10% of normal production, and now the "holier than thou" crowd propose taking away some more of our bread and butter.

What a bright future for the security salesman over there who upon his return after many months of fighting through blood, tears and mud to his waist to protect you and I only to find that job which paid him an honest living then, will now barely meet the taxes and the interest on the mortgage.

Wake up Americans, "wake up" before the outstretched claws of bureaucratic government draw us still further through the mire. Yes, and all this while the young "intellectuals" are warming a chair and receiving fat salaries to formulate still more rules with which to regiment the American people.

Do I hear someone say this is our democratic way of life? Or is the black shadow of FACISM hovering around the corner. I wonder.

DEALER NO. 85

I believe that my experience in the security business permits me to qualify any comments or suggestions. I have been on the Street for 39 years, 22 of which have been spent heading my own organizations. I have been interested in your criticisms of the recent ruling of the NASD pertaining to profits and to offer my views and reactions would be a repetition of those which you have published.

I believe that the retail dealers have a pertinent need for an organization of retail dealers for their self-preservation. It would appear that the NASD and its directing is being monopolized by those houses who have membership on the New York or other Stock Exchanges and I can hardly conceive that they have our interest at heart. I remember that years ago the Investment Bankers Association lost a good many of its members because of the opinions that the direction was monopolized by Houses of Issue. I make the request that you consider inviting through your medium the retail dealers throughout the country to express their willingness to form and join such an association with common interests and problems. It would seem to me to be high time that there be a differential between a dealer and a broker.

P. S.—I cannot see any occasion, but I prefer that my name does not appear in connection with these comments. In this feeling there is weakness, but unfortunately we dealers are not with strength.

DEALER NO. 86

As a security dealer, member of the NASD and Detroit Stock Exchange, I am writing in answer to your recent request.

First, being a dealer in a small town, with a limited amount of business, and not doing any underwriting, I did not feel that the opinion of a dealer of our size was just what you wanted. Another reason for not answering before is that I am not too sure.

First, security dealers and promoters have abused the public so much with high-pressure selling that these kinds of promotions may be essential to our present system. Many unsound corporations have been organized, and management selected by them which was not qualified by experience, ability or integrity.

Now just what percentage of our industry that is now successful, and has been started in this way, I am not in a position to even estimate, but I do know that a big majority have been so milked by management who become united with the promoters that the public have been bled of billions of dollars that would have and should have been spent to much better advantage. Therefore, my final conclusions are that while 5% will not allow the kind of promotion we have seen in the past, I am not so sure that it will not allow the kind of promotion that will be much more of a credit to our business as well as ourselves and our clients.

Enclosed you will find a clipping out of Sunday's Detroit "Times" that you may or may not have seen. This impressed me, because as a stockholder, owning approximately 4,000 shares of stock, I was never at all satisfied with the Board of Directors or the officers; but not wanting to be a heckler, and have a request for information repeatedly ignored, or replied to in such a manner that they only amounted to an insult, I sold my stock at a ridicuously low price, and at a big loss, because I felt that the management had always adopted the policy to h—— with the stockholders. The management must be taken care of in any way they saw fit, and the stockholder be damned.

Incidentally, I have been very much interested, and happen to be on the board of the Investors' Fairplay League (B. C. Forbes). While I am like most people, a little confused, I am very certain that I would like to help preserve the capitalistic system, but management operating like those reported in the "Times" article, as well as many of the stock promoters, have not represented the interests of stockholders honestly, and have in many instances been the cause of trouble and misunderstanding with labor and the public in general.

This answer will no doubt be much different than the majority of the answers you have received, but I am sure you wanted my opinion, and while mine is more or less indirect, it is the only way I know how to answer your request for comments.

DEALER NO. 87

You have missed the SEC's point entirely.

1. They appear to be trying to so confuse and demoralize the capital market that it will substantially cease to function.
2. In that case capital expansion will have to be financed by the Government.
3. In that case the Government will control industry which is what they obviously appear to want—**BUT**.
4. In that case we will have National Socialism.

ADVERTISEMENT

NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number ten of a series.*

SCHENLEY DISTILLERS CORP.,
NEW YORK

"Cocktails" for the Axis

Every time an 8-inch howitzer barks, a gallon of war alcohol is consumed. Every two shots from a 155 millimeter howitzer, aimed and fired in the direction of our enemies, require a gallon of war alcohol in the gun powder. And the 3 inch anti-aircraft gun needs a gallon of this same precious war alcohol for every four shots. But we are used to bigger figures nowadays, and here they are:

The beverage distillers will produce this year about 230,000,000 gallons of alcohol for war purposes. And since about a quarter of a pound of alcohol is used in making a pound of smokeless powder, simple arithmetic informs us that this amount is sufficient to make approximately three billion two hundred eighty-five million pounds of smokeless powder.

To make one 16 x 600 tire of synthetic rubber, 5½ gallons of alcohol are required. So the amount of alcohol the beverage distilleries will produce this year, could make more than 41,000,000 synthetic rubber tires.

Now you will understand why the Distilling Industry discontinued making beverages when the emergency arose, and is now wholeheartedly devoting all of its distilling facilities 24 hours a day, 7 days a week...to hasten the day when we can resume our normal peacetime pursuits.

How fortunate the nation is that this industry was on hand, because of Repeal, so that its facilities could be converted, literally overnight, to making alcohol for war purposes. Had the present world catastrophe occurred during the late, lamentable prohibition period, the plaintive cry of "too little and too late" would have been plainly audible over the length and breadth of our country.

So please, if you cannot get your favorite product just when you want it, or as often as you would like it, remember that not a drop of whiskey has been made by any legal American distillery since October, 1942.

We have tried our best to distribute our stocks—made in peacetime—equitably to our distributors; they have tried their best to do likewise to their trade—the retailers. *"Cocktails" for the Axis come first these days —and no rationing.*

So, make what you *do* get last longer, and please remember it was made in *peacetime*. And no compromise has been made with quality. *Qualitatively*, the product of a good distillery is the same. *Quantitatively*, it is less. A much simpler way of saying this is: it's just as good, but there isn't so much of it. Greater appreciation always—when it's hard to get. *Agree?*

• • •

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Wisconsin Brevities

Nekoosa-Edwards Paper Company, one of Wisconsin's leading producers of specialty papers, reports net income on the common stock of $7.21 a share for the first nine months of 1943. Comparable figures for 1942 are unavailable. The company showed $10.23 for all of last year.

Directors of **Hamilton Manufacturing Company** declared a year-end dividend of $1.00 a share on the common stock, payable Dec. 15 to stock of record Dec. 8. This dividend is the same as that paid in each of the last two years.

The regular quarterly dividend of 25 cents a share was declared on the Class A Preferential Participating stock, also payable Dec. 15 to stock of record Dec. 8.

Directors of **Wisconsin Investment Company** declared a dividend of 8 cents a share, payable on the capital stock of the company on Dec. 22, 1943, to stockholders of record Dec. 8.

The dividend of 8 cents a share compares with 7 cents a share paid on July 1 of this year and to 6 cents a share paid a year ago. Total dividend disbursements in the current year amount to 15 cents a share, compared to 11 cents a share paid in 1942.

Directors of **The National Tool Company** declared a dividend of 15 cents a share, payable Dec. 20 to stock of record Dec. 3, bringing total payments for 1943 to 35 cents a share against total payments of 30 cents a share in 1942 and 25 cents in 1941.

Among Wisconsin dividends:

Oilgear Company has declared a dividend of 80 cents a share, payable Dec. 15 to stock of record Dec. 1, bringing the total for the year to $2 a share.

Gisholt Machine Company declared a dividend of 25 cents a share, payable Dec. 14 to stock of record Dec. 4.

Safway Steel Products, Inc. declared a dividend of 10 cents a share, payable Nov. 30 to stock of record Nov. 23, bringing the total for the year to 40 cents.

Aluminum Goods Mfg. Company, Manitowoc, Wis., declared a year-end dividend of 40 cents a share, payable Dec. 10 to stock of record Nov. 25. A similar dividend was paid a year ago.

Wisconsin Bankshares Corporation declared a dividend of 25 cents a share, payable Dec. 15 to stock of record Nov. 27.

Line Material Company reports earnings of $1.36 a share for the first nine months of 1943, compared with 61 cents a share in the corresponding period of 1942. The company has paid 50 cents a share in dividends this year—the same amount as in the preceding year.

Froedtert Grain & Malting Company, Inc., has called $155,000 of its recently issued 3½% debentures due in 1958, at 104 and accrued interest.

International Cellucotton Products Corp. will pay an extra dividend of 75 cents a share on Dec. 10 to holders of record Nov. 27. The first regular dividend for the next year has been declared, payable on Jan. 2 to holders of record Dec. 18. Total dividends for the year 1943 will be $3 a share.

Kimberly-Clark Corporation will pay an extra dividend of 50 cents a share on Dec. 23 to holders of record Dec. 10.

Weyenberg Shoe Mfg. Company, Milwaukee, will call $100,000 of its convertible 4½% debentures due Dec. 15, 1945, at 101½, on Dec. 15, 1943.

Mid-States Shoe Company, Milwaukee, reported earnings of $1.26 per share for the fiscal year ended Oct. 30, 1943, against $1.58 a share in the 1942 fiscal year.

The Board of Directors declared a regular quarterly dividend of 15 cents a share and an extra of 10 cents, payable Dec. 20 to stock of record Dec. 10, bringing total payments for the year to 70 cents a share. This is the same amount that was paid in 1942.

About 30% of the company's business last year went to the Government.

Burgess Battery Company declared a dividend of 15 cents a share, payable Dec. 15 to stock of record Dec. 3.

Carnation Company, Milwaukee, has declared a year-end dividend of $1 a share on the common stock in addition to the regular 25-cent quarterly. Both dividends are payable Dec. 18 to stock of record Dec. 14.

Consolidated Water Power & Paper Co. declared a year-end dividend of 50 cents a share, bringing the total for the year to $2. The dividend is payable Dec. 21 to stock of record Dec. 6.

Northwest Engineering Company declared a year-end extra dividend of 50 cents a share, payable Dec. 15 to stock of record Dec. 4. This brings the total for 1943 to $2.50 a share, in contrast to $3 paid in 1942.

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Our Anti-Trust Policy

(Continued from page 2311)

sity of seeking to solve such a problem as ours.

What are the essential, underlying features of our anti-trust policy? The answer to that question is doubtless familiar to all of you, but it should be recalled here by way of an introduction to a consideration of its merits.

Briefly stated, the present anti-trust policy of the United States is an attempt to destroy monopoly and thereby leave the field to competitive industry. This policy finds expression in the anti-trust laws of the United States and of the several States; in their judicial interpretation; in the demand that these laws be more rigorously enforced, and in various proposals to amend the laws so as the more surely to accomplish their purpose.

Many examples might be given in illustration of this policy. One will, however, suffice. The Anti-Trust Law of the United States declares that:

"Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal.

"Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons to monopolize, any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor. . . ."

This law has been the subject of numerous court decisions, including several by the Supreme Court of the United States. Among the most important cases to reach this high tribunal was the one known as the Northern Securities Case, which was decided in 1903. The opinion, affirming the decree of the Circuit Court against the Northern Securities Company, was prepared by Mr. Justice Harlan. In this opinion, after extended reference to previous decisions of the Court, several propositions were stated as deducible from those decisions. Among these propositions are the following:

"That Congress . . . by the Anti-Trust Act, has prescribed the rule of free competition among those engaged in" interstate and international commerce.

"That the *natural effect of competition is to increase commerce*, and an agreement whose direct effect is to prevent this play of competition restrains instead of promotes trade and commerce."

"That to vitiate a combination, such as the act of Congress condemns, it need not be shown that the combination, in fact, results or will result in a total suppression of trade or in a *complete monopoly*, but it is only essential to show that by its necessary operation, it tends to restrain interstate or international trade or commerce or *tends to create a monopoly* in such trade or commerce and to deprive the public of the *advantages that flow from free competition*."

Throughout the opinion, numerous references are made to the "natural laws of competition," to the advantages arising therefrom, and to the purpose of the act to secure the operation of those laws. Subsequent decisions containing further interpretations of the act have not modified this fundamental attitude towards competition and monopoly. The so-called "rule of reason," later applied to the enforcement of the law, went no further than to recognize that not all suppression of competition is necessarily in restraint of trade. The intent of the law remained, as before, to prevent monopoly and thereby to secure free competition.

Moreover, in this intent, the Anti-Trust Law voices correctly public opinion. Although there is widespread dissatisfaction with the results that have been attained under it, popular confidence in its fundamental purpose continues undiminished.

Efforts to secure fairness in price making have existed for centuries, perhaps as long as buying and selling themselves have existed. During the Middle Ages it was known as the doctrine of "just price." As described by Professor W. J. Ashley in his "English Economic History," it was held that "in any particular country or district there is for every article, at any particular time, some one just price: that prices, accordingly, should not vary with momentary supply and demand, with individual caprice, or skill in the chaffering of the market. It is the moral duty of the buyer and seller to arrive, as nearly as possible, at this just price." Moreover, "as experience showed that individuals could not be trusted thus to admit the real value of things, it followed that it was the duty of the proper authorities of State, town, or guild to step in and determine what the just and reasonable price really was."

The application of such a principle to actual business transactions necessitated a standard by which to determine whether the prices at which commodities and services were offered for sale were just. Such a standard was found for the producer of that time, not in "what would enable him to make a gain," but in "what would permit him to live a decent life according to the standard of comfort which public opinion recognized as appropriate to his class." Moreover, it may be noted in passing, this standard was not ill-adapted to the conditions then prevailing, when business intercourse was on a small scale, the market for most articles was a limited one, and the consumer and producer as a rule dealt directly with each other.

With the passing of years, new industrial conditions developed to which old ideas and old policies were no longer suited. But there remained and still remains the basic idea of fair price. There has come, however, a new standard by which to determine fairness and a new view as to the proper method of securing fairness.

It is, perhaps, too much to affirm that the present standard of fair price has been definitely formulated. Nor is it intended here to enter upon a full discussion of this subject; though, in view of the controversy over "earned" and "unearned" increments and of the increasing tendency to call in the aid of public authority to secure reasonable charges, there is developing an urgent need for a thorough analysis of the basis of fairness with a view to arriving at a reasonable standard.

The absence of a definitely formulated standard for determining fairness is not a mere accident. It is due to the prevailing view as to the method by which fairness is to be secured—a method under which the question of what is fair may be left to take care of itself: for fairness, it is believed, will follow as a matter of course from the method of securing it. That method is the establishment of free competition. Whereas formerly public authority exercised directly upon price was relied upon to insure justice, today the same end is sought through the unimpeded operation of competition.

True, it has come to be recognized that there is a field of activity in which competition can not be relied upon to secure fairness. Such, for example, is the case with the telephone, lighting, and other similar industries. Here Government regulation is accepted as essential. But so far as the broad field of general industry is concerned, public opinion still holds to the idea that free competition is society's safeguard against injustice, and that public authority is needed here, if at all, only to assist in securing free competition. Competitive price is fair; monopoly price is unfair.

To this view, entertained by society in general, exemplified by the anti-trust laws aforementioned, economists lend the weight of their authority. It must suffice for the present discussion to cite but one example of the teaching of current economics, but it is a typical one, taken from a widely used treatise entitled the "Outlines of Economics." Speaking of fair prices under competition, it is said:

"There is . . . *a deep-seated conviction that normal competitive prices (measured by the expenses of production) are natural and just prices.* This conviction is, however, brought face to face with the fact of the growth of a large industrial field in which monopoly, rather than competition rules. The question of just price is again a live issue—as it was before the growth of the competitive system. Public authority is frequently invoked to insure that the prices fixed by holders of municipal franchises and other monopolists are just and reasonable. *The chief fundamental test which our courts are able to apply to the reasonableness of any particular price is its conformity to what the price would have been under competitive conditions.*"

It follows, according to this view, that if monopoly is eliminated, as a matter of course free competition will prevail. The fundamental aim, then, of our anti-trust policy is to eliminate monopoly, so that free competition may automatically insure fair price.

Fully to appreciate this theory and to pass judgment upon its validity, it is necessary to ascertain just how prices are determined according to the generally accepted view.

First, then, what is this free competition whose unimpeded operation is to result in fair prices and how does it work?

Here we may follow the usual practice in discussion of this subject and view it from the standpoint of the seller. So viewed, competition is a contest between rival sellers to secure the patronage of purchasers. It may be said to exist wherever the effort of one to sell involves the effort to overcome an obstacle in the shape of an alternative available to the purchaser, which may be preferred.

The effect of this competition is to lower prices. Under its influence, price tends to equal social cost of production, i.e., a cost that includes a fair return for the services of enterprise and management. For, if in any industry, the price is so high as to yield more than this, others will be attracted to the industry and competition will bring the price down, whereas, if price should fall below this point, some would leave the industry and price would go up. Social cost of production, then, may be said to afford the standard of fair price.

Contrasted to competitive price is so-called monopoly price. This tends to the point that will yield the largest profit. An increase in price tends to increase profits by increasing the rate of profit per unit sold, and at the same time to decrease profits by decreasing the number of units sold. Hence the monopolist seeks to find the point at which profit per unit times amount sold will yield the largest returns. To carry the price higher would result in a condition where the advantage of an increased rate would be more than offset by the disadvantage of falling sales. According to current theory, the monopoly of any com-

(Continued on page 2332)

World Inflation: War And Post-War

(Continued from first page)

great. With some exceptions like Greece, China, Iceland, North Africa, India, Japan, Iraq, and the United States, it is also true that the rate of increase in currency outstanding has not been as great during this war as in the last one. From the middle of 1939 to the middle of 1943, currency in the hands of the public expanded perhaps 200 times in Greece, 35 times in China, 10 times in Iceland, 5 to 6 times in North Africa and Iraq, about 4 times in Italy and Japan, and almost 2½ times in the U. S

As will be indicated more fully in a later section, the less rapid development of price inflation during this war is to be explained largely by differences in war financing and in price control. Although the note circulation tripled in Germany during the first four years of this war, the official wholesale price level had risen only 9%. In Japan the currency outstanding increased 275% during the four years ending in July, 1943, compared with a 173% increase during the last war, yet the official price level in Japan has risen only about one-third as rapidly during this war as during World War I. In Iceland, despite a wartime increase of almost 900% in currency outstanding and the strain of Allied military expenditures on an economy with 120,000 inhabitants, price control measures, begun in December, 1942, had reduced the cost of living about 7% by July, 1943, after it had risen 135% during the three years ending December, 1942.

Prices in this war have risen more rapidly than in World War I mainly in less developed and less centralized economies, like China, India, the Middle East, and Africa, where price control, tax increases, and bond financing are especially difficult for reasons peculiar to the area. In the Middle East additional important inflationary factors have been Allied military expenditures a number of times the country's normal national budget combined with drastic curtailment of overseas imports, resulting in the building up of blocked balances in London. Land transportation has been an important factor in price increases in China, where prices for such items as rice and flour may be as much as 8 and 10 times higher in one city than in another, and in North Africa and the Middle East, where curtailment of transportation facilities for civilian use caused a wide spread between prices of food products in cities and in the nearby country.

PRICE INCREASES: WORLD WARS I AND II

Country—	Index for July, 1943 (Jan.-June 1939=100)	Index for November 1918 (July 1914=100)	Index for Post war Peak (Nov. 1918=100)	
Germany	109	334	6,080,000,000	(1923)
U. S. A.	135	206	132	(1920)
Japan	141	215	149	(1920)
United Kingdom	168	231	137	(1920)
Sweden	180	364	102	(1918)
Norway	180	345	123	(1920)
Denmark	194	302	133	(1920)
Italy	*200	475	167	(1925)
Hungary	205	†854	†200,000	(1924)
Switzerland	207	†229	†114	(1919)
Bulgaria	§212	830	399	(1925)
Finland	239	†588	†208	(1924)
Egypt	§263	211	150	(1920)
France	*400	354	234	(1926)
Turkey	*700	†1,675	†132	(1918)
Greece	10,000-20,000	382	†521	(1928)
Roumania	246 (June 1941)	--	‡3,900	(1927)
Iceland	†245	--	--	--
North Africa	*300	--	--	--
India	329	180	116	(1920)
Palestine	*350	--	--	--
Iran	*500	--	--	--
Iraq	*520	--	--	--
Syria	700	--	--	--
China	7,000-12,000	--	--	--
Austria	--	†1,160	†117,700	(1924)
Poland	--	--	‡252,167,700	(1924)
Russia	--	11,200	3,346,017,700	(1924)

Sources: **Monthly Bulletin of Statistics**, League of Nations; **Federal Reserve Bulletin**; J. P. Young, **European Currency and Finance**, U. S. Senate, 1925; and Carnegie Endowment Series on **Economic and Social History of the World War.**

*Estimates. †Cost of living instead of wholesale price level, and for period July 1914 to July 1918 and July 1918 to post-war peak, except for Turkey which splits at November 1918. ‡Cost of living with July 1914=100. §Index for April 1943.

I

Prices rose more rapidly in most European countries during the last war than during this one not only because of larger percentage increases in currency outstanding the last time but also because price control measures were relatively ineffective in checking increases in price levels during World War I.

In the neutral countries like Sweden, Norway, Denmark, Holland, and Switzerland, price increases from 129 to 292% (in Holland) during World War I were largely tied up with a sharp rise in the prices of imports, with gold imports that more than doubled the gold holdings of their central banks and caused corresponding currency expansion, with credits extended to belligerents so that exports rose relative to imports (especially in Sweden), and with curtailment or actual decline in the volume of goods available for sale. In three European neutrals, the price level increased more than did the money supply during the war. As the table indicates, these neutral countries did not suffer much from post-war inflation. Their post-war price increases ranged from 1% in the Netherlands to 33% in Denmark. After international trade was unshackled, goods for sale (especially imports) became more plentiful in these neutral countries, gold ceased to flow in, and their budgets were not badly unbalanced because military expenditures were sharply reduced, there were no reconstruction costs, their floating debt was but a minor percentage of their total debt, and the real burden of their national debt declined (the total national debt in these neutral countries just about doubled during the war, whereas prices had tripled and quadrupled in all of them except Switzerland). In the immediate post-war years the contrast between financial conditions in the former neutral and former belligerent countries on the Continent was very marked.

During World War I, price levels in the belligerent countries in Europe rose all the way from almost 5 times in Italy and Belgium to 12 times in Australia, 17 times in Turkey, and 113 times in Russia. The price increases seem to have been mainly accounted for by large increases in government expenditures that were financed by bank loans and issues of paper money. During World War I, the total money supply (cash and checking accounts) increased almost 2 times in the U. S., more than 2 times in Great Britain, about 4 times in Belgium and Turkey, 5 to 6 times in Italy, Greece, Roumania, and Germany, 11 or 12 times in Austria-Hungary and Bulgaria, and 36 times in Russia. Apparently Turkey and Russia were the only belligerent countries in which prices increased more rapidly than the volume of money. In other warring countries, a part of the increase in the money supply was absorbed during the war by a decline in the velocity of circulation of the money.

Failure to meet a large proportion of the increase in expenditures through taxation mainly explains the large increases in the money supply in belligerent countries during the last war. In World War I, France and Germany raised less than one-sixth of their total expenditures through taxes, Great Britain and Russia raised only one-fourth, and the United States, Italy, and Turkey about one-third. On the Continent, especially in Germany and France, a large part of the budget deficits during the war were financed by borrowing from the central bank, which printed money in order to make the loans. As a result, not only did the national debt of the warring countries increase from 3 to 20 times, but the proportion that was short-term, floating or unfunded debt rose from 5 to 10% of the total before the war to 40, 50, and even 95% of the total national debt at the end of the war. In the post-war period, the expansion and redemption of this floating debt, some of which matured at the option of the holders, at times put a heavy strain on national treasuries.

In contrast to the last war is the much larger percentage of war financing through taxes and funded debt this time. Following their entrance into the war, tax revenues have accounted for about 70% of total national expenditures in Canada, 65% in Finland, 50% in Great Britain, 45 in Australia, perhaps 40% in Germany, 35% in the United States and Italy, and, since the middle of 1939, for perhaps 30% of total expenditures in Japan and France and 25% in China. Indeed, it seems likely that Free China will finance a larger proportion of her total expenditures through tax revenues in 1943 and 1944 than will Japan. The much higher percentages of financing by taxation in this war should make it easier to balance budgets in the post-war period than was true last time.

Although not as yet so serious as at the end of the last war, the floating debt of many European countries has been increasing rapidly. For example, floating debt accounts for around 60% of the total debt of Germany and Finland, about 45% in Italy, about 40% for France, Belgium, and Holland, and approximately 25% for Great Britain and 20% for the United States, compared with pre-war percentages that were no more, and usually much less, than half as great. Furthermore, direct borrowing from the central bank to meet budget deficits has occurred on a large scale in most of the German-occupied countries. In France, Belgium, and Denmark, for example, between 35 and 95% of the annual budget deficits has been financed by advances from the central bank, and the central bank's currency outstanding increased correspondingly. This was the practice that proved to be so inflationary in World War I.

Another important inflationary factor, far more significant in this war than in the last one, is the accumulation of "blocked" credit or clearing balances in Berlin, London, and New York to the credit of foreign central banks. Balances of European central banks in Berlin have been estimated at 13 billion Reichsmarks in the Fall of 1943, compared with less than half a billion before the war. London balances in the Empire countries alone have risen from £200,000,000 before the war to well over £1,000,000,000 in the

(Continued on page 2322)

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Canadian Securities

By BRUCE WILLIAMS

It is astonishing how many of us here, and still more surprisingly also many Canadians have only a superficial knowledge of Canada. The general conception seems to be that, apart from a narrow belt, immediately adjoining our northern border, the rest of the country is a vast frigid waste almost entirely unsuitable for human habitation.

That the northern areas of the Dominion are very sparsely populated is certainly true, but it must be remembered that the easily accessible resources of our own country and its generally more congenial climate have diverted emigrants from settlement in Canada. The 11,500,000 actual population in an area, if we include Labrador, greater than that of this country, have not yet scratched the surface of the potential wealth of Canada, as they are fully occupied in developing the abundant resources of the territories in the vicinity of the earliest settlements.

The exigencies of war have led to more intensive exploration of the northern regions, and it has been generously rewarded. In the post-war period, this area, especially the northern sections of Alberta and British Columbia, the Yukon and the Northwest territories can richly sustain a population of many millions.

In the Peace River section are to be found tremendous areas of fertile, well watered farmlands; huge deposits of good quality coal are readily accessible, and oil prospecting has yielded promising results. Further south, the tremendous area of the Athabaska tar sands of Alberta is considered the largest potential source of oil in the world and can furnish unlimited supplies of asphalt, the most suitable road-making material for the northern latitudes. Striking discoveries of radium, gold and other precious metals in the Northwest territories are now attracting survey parties to this area. In addition, the entire Canadian Northwest has a large proportion of the world's fast dwindling forestry reserves, and its numerous powerful rivers are a potential source of unlimited hydro-electric power.

Experience in Canada, and the successful Russian colonization of Northern Siberia are strong indications that the post-war period will see a new era of pioneering. The war-weary people of Europe and especially the young men all over the world who have fought in all its corners will have the opportunity to push civilization across these new frontiers, aided especially by the revolutionary development of air transport.

Reverting to current affairs, the market, during the past week at last, felt the effects of the unsettling repercussions of the recent political warfare and prices eased in most sections. Direct Dominions were slightly lower and the 4s of 1960 were quoted 109-109½. Nationals were generally about a point lower with the 4½s of 1957 obtainable at 116¾. Ontarios and Quebecs were inactive with prices marked down a fraction. British Columbias were little changed with the medium term issues on a 3.35% basis.

Similar Nova Scotia and New Brunswick issues were still quoted on a 3.35% and 3.65% yields, respectively. Manitoba 4½s of 1956 were offered on a 4% basis. Saskatchewan 4½s of 1960 were in supply at 88½ and Alberta 5s were obtainable at 77½. Internal issues were still in the doldrums and the "free" exchange rate oscillated between 10½ and 11½% discount.

In general, the market is suffering, as have other markets, from the unsettling effects of constant rumors of momentous impending events; markets have been vulnerable to bearish activities; now it is clearer that the war will not end immediately, and buyers who have recently recently remained on the sidelines will be encouraged to resume operations; markets are basically technically stronger as many weak positions have been recently liquidated; at this time, however, normal market behavior is affected by end-year transactions.

Walsh Succeeds Barbour As Senator From New Jersey

Arthur Walsh, of South Orange, N. J., was sworn in by Vice President Wallace on Dec. 2 as a United States Senator from New Jersey. Mr. Walsh a Democrat, was appointed by Governor Charles Edison on Nov. 26 to fill the vacancy caused by the death of W. Warren Barbour. Mr. Barbour, who died in Washington on Nov. 22, was a Republican. Mr. Walsh, who is Executive Vice-President of the Thomas A. Edison Industries, Inc., will serve pending the election next November, when a successor for Mr. Barbour's unexpired term is chosen. The term will expire in January, 1947.

The appointment of Mr. Walsh gives New Jersey two industrial leaders in the Senate. Senator Albert W. Hawkes, a Republican, was President of Congoleum-Nairn, Inc.

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Investment Trusts

A New Field For Mutual Funds

Elsewhere in this issue of the "Chronicle" is an article by Kenneth S. Gaston, President of Distributors Group, Incorporated, on the subject of Employees' Profit-Sharing and Retirement Trusts. These trusts are comparatively new to American industry but have been made so attractive by recent tax laws that they are bound to become increasingly popular.

The significance of their development to the mutual fund field can hardly be exaggerated. For these trusts involve annual allocations of up to 15% of a corporation's total PAYROLL, such funds to be invested in any or all types of securities at the discretion of the corporation trust committee.

What corporation trust committee, busy with other management problems, will want to assume the full responsibility for supervision of the funds in an Employees' Profit-Sharing Trust? What better form of investment could such a committee find than that offered by the balanced type of mutual investment company? Here, it would seem, is a broad new field for mutual fund activity—a field which in its extreme ramifications may include up to 15% of the total annual payroll of American corporations!

In The Mailbag

"How wide is the inflationary gap?" questions National Securities & Research Corp. in its latest issue of **Investment Timing.** This article brings out the fact that no one really knows just how wide the so-called inflationary gap is. Various estimates are listed, ranging from $42 billion by the Treasury Department to as low as $8.5 billion by the National Association of Manufacturers. The discussion of this moot question is interesting and informative and concludes as follows:

"If, as we think, the inflationary gap is not so large as publicized, it does not represent the menace it is supposed to be; inflation, if it comes later is more likely to result from other factors, such as increasing wage-price spiral, the confident spending of income, or the spending of savings, without adequate controls.

* * *

In the current issue of **Abstracts**, Lord, Abbett asks: "Where is the UPS performance coming from?" The performance referred to shows UPS up 40.6%, exclusive of dividends, as against an advance of only 8.5% for the Dow-Jones Industrial Average in the period from Dec. 31, 1942, through Nov. 30, 1943.

The answer to this excellent performance record, according to the bulletin, is to be found in the flexibility of the UPS management. Whenever a buying opportunity in a particular group of securities presents itself, the management concentrates a large portion of UPS funds in that group.

A revised folder on American Business Shares and a composite summary folder of all Lord, Abbett-sponsored funds have been issued recently.

* * *

Keystone Corp.'s **Keynotes** calls attention to the possibilities for tax savings under the present law and lists four important points to be considered before the Dec. 15 deadline—points which may justify taking action for the purpose of establishing taxable gains or losses. Accompanying the bulletin is a tax work-sheet listing and defining all dividends paid on Keystone Custodian Funds during 1943.

* * *

The Dec. 1 issue of the **New York Letter** contains an interesting series of tabulations showing the changes in the portfolio of Fundamental Investors by quarters for the 12 months ended Sept. 30, 1943. During this period 28 securities were eliminated from the portfolio. An equal number of new holdings were added.

The **Letter** comments: "In view of the market record of Fundamental it is evident that something more than a well advised initial selection of securities is necessary to successful portfolio management. Although an investor may not hold as many different issues as a large investment company, his problems of supervision are proportionate and no less difficult or real."

The **Letter** also contains an admonition to "act now for tax savings" and lists a number of important things to keep in mind.

* * *

MIT's **Brevits** discusses the striking contrast between stock and bond yields today as compared with their relationship since 1900. Over this period, the average bond yield has been 4.50%, as compared with an average stock yield of 5.94%. Today a yield of 2.77% is available from bonds as compared with 5.62% from stocks.

Brevits, too, has an interesting summary of possibilities for tax savings and shows an actual example of how a net tax saving of $184 may be made on a net income of only $3,000 through establishment of a $1,000 taxable deduction.

* * *

Calvin Bullock's **Bulletin** reviews the annual report on Dividend Shares for the fiscal year ended Oct. 31, 1943. Total net assets on that date were $43,902,653.

* * *

The annual reports of Keystone Custodian Funds series "B-2" and "S-3" have come to hand. Total net assets of Series "B-2" as of Oct. 31, 1943, amounted to $8,760,593, compared with $8,516,012 six months earlier.

Total net assets of the series "S-3" fund were $1,138,613 as of Oct. 31, 1943. This compares with $1,033,577 on March 31, 1943, the date of the previous report. Combined asset values of all ten Keystone Custodian Funds on Dec. 1, amounted to $61,032,000.

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Dividends

Group Securities, Inc.—The following dividends have been declared payable Dec. 24, 1943 to shareholders of record Dec. 11:

Class—	—For Fourth Quarter— Regular	Extra	Total
Agricultural	$0.09	$0.06	$0.15
Automobile	.12	.06	.18
Aviation	.32	--	.32
Building	.10	.08	.18
Chemical	.05	.03	.08
Electrical equipm't	.03	--	.03
Food	.07	.10	.17
Full administered	.11	.09	.20
Gen'l bond shares	.13	.04	.17
Industrial machy.	.10	--	.10
Investing company	.02	.10	.12
Low priced	.09	.11	.20
Merchandising	.09	.02	.11
Mining	.06	--	.06
Petroleum	.09	.07	.16
Railroad	.05	.04	.09
Railroad equipm't	.06	--	.06
Steel	.115	--	.115
Tobacco	.05	--	.05
Utilities	.04	.06	.10

Insurance Group Shares—A dividend of 3¾¢ per share payable Jan. 30, 1944 to shareholders of record Dec. 31, 1943.

Keystone Custodian Fund "B-1"—A dividend of 67¢ per share payable Dec. 15, 1943 to shareholders of record Nov. 30.

Keystone Custodian Fund "K-2"—A dividend of $1.75 per share payable Dec. 15, 1943 to shareholders of record Nov. 30.

Massachusetts Investors Second Fund, Inc.—A dividend of 14¢ a share payable Dec. 23, 1943 to shareholders of record Dec. 10.

Selected American Shares, Inc.—A dividend of 24¢ per share payable Dec. 27, 1943 to shareholders of record Dec. 17.

Union Trusteed Funds, Inc.—The following dividends have been declared payable Dec. 20, 1943, to stock of record Dec. 13:

	Regular	Extra	Total Dividend Per Share
UBA	$0.47	$0.75	$1.22
UBB	.46	.56	1.02
UBC	.17	.52	.69
UPS	.50	.17	.67
UCSA	.23	--	.23
UCSB	.15	--	.15

Elected Directors Of Phila. Reserve Bank

The Federal Reserve Bank of Philadelphia announces the election of James T. Buckley, Chairman of the Executive Committee of the Philco Corp., as a Director of the Bank for a three-year term beginning Jan. 1. Mr. Buckley, succeeds Frederick C. Stout, who served as a director for the past 15 years but declined to be a candidate again.

The Bank also announced the reelection of John B. Henning, President of the Wyoming National Bank, Tunkhannock, Pa., as a Director for another three-year term.

When Peace Comes

(Continued from first page)

fear cycle" and "turn purchasing power into action so there can be progress and prosperity," Mr. Fuller said "the answer is by dynamic selling, the selling that makes goods and services more desirable than idle money, which we know now means idle men and idle plants."

Mr. Fuller concluded by saying "the opportunity before us now is to use our selling way of life as we never have before. It is an opportunity far greater than our record of accomplishment. "If we take advantage of this opportunity . . . we have no need to fear." "We can greet the future with confidence, and with a busier, happier America we can lead the way to a brave new world."

Mr. Fuller's address follows in full:

Here are a few facts which I think we will all accept. They constitute the text of my talk this noon, so let me list them—

First—We have come so far toward a United Nations' victory in this war that it is now apropos to consider seriously the problems of peace. The war isn't won yet. There is much fighting still to be done. And there is more sacrificing ahead for everyone. But we are definitely on our way to Berlin and Tokio.

Second—The problems of peace are unsolved. Peace presents problems almost as great as the problems of war itself. We know now that we risked losing this war in Pearl Harbor days because we were unprepared. It is certainly possible to lose the peace if we are equally unprepared for it. Unless we win the peace, much of the suffering and sacrificing of these times will have be in vain. If we lose the peace America will end up behind the eight ball just as surely as if we had lost the war.

How does this text tie in with public thinking?

The people of this country aren't being fooled by all the talk of a "better world" to be handed around to everyone on a silver platter when Hitler and Hirohito throw up the sponge. They know that a better world—the kind of a better world they want and can have—isn't a free handout. They know it is a job of work. It is something that will have to be produced in our factories and plants and brought about by selling with ingenuity and aggressiveness.

The American people today are skeptical about how that is going to be done. That is why many of them are afraid of peace. They fear victory. Is it not strange that people who have never feared military defeat should fear economic defeat? Is it not strange that people who have been so supremely confident of the power of our industries to build war winning weapons should fear that peace will bring disaster? They do not doubt the ability of American industry to produce the goods of civilian living. What, then, do they doubt? Is it not that they question the national will to so organize our efforts and activities that real post-war progress will result?

Talk with the people of this country, wherever you find them, in your offices, in the stores, on the trains and street cars, in the restaurants, and that is what they are thinking.

The people of America have been told by so-called economic experts that if inflation doesn't get us then another and bigger depression will. They remember well the decade of depression during the dismal thirties. They have been told all manner of ghost stories until today many people are haunted by the fear of another era of idle men, idle money, idle plants and idle opportunities. Some workers in the factories, helping to win the war, fear they are working themselves out of jobs. Civilians fear peace will mean a continuation of rationing and shortages, of price ceilings and freezes—freezes of opportunities as well as of freedom. And businessmen are fearful of a peace in which the lack of profit opportunity will stifle incentive all along the line.

Those that hold these fears know that there are wants and needs to be filled that can keep our factories humming busily. But they also know that there were unfilled wants and needs in the thirties. They know that there is tremendous accumulated purchasing power—probably a hundred billion dollars by 1944. But they know there was also great unused purchasing power in the thirties. The money was in the banks and it stayed there. They know we have great capacity to produce, but we had capacity more than we used in the thirties.

And yet there has never been such an opportunity before any people as there is today for America. We have all of the ingredients of a recipe for peace, progress and prosperity. With unfilled wants and needs, with purchasing power, with capacity, skills and methods to produce, we have everything it takes, if we do the job wisely, of taking the brakes off of production and then everlastingly doing the selling job so that there will always be unfilled desires to stimulate our ingenuity, initiative and energy .The words of President Roosevelt, under more adverse conditions, are truer than ever now—"We have nothing to fear but fear itself."

If we can scrape the bottom of the barrel for guns, there is no reason we cannot do the same for butter.

There is much work to be done in America, when peace comes. There is work to be done throughout the world. There is more than enough useful work to employ satisfactorily everyone who wants a job. The filling of the present wants and needs of the American people will provide every opportunity for employment, for security, for expansion and progress. And we know how to create constantly new wants and desires through selling, marketing and advertising, so that there is no need for the wheels of industry ever to slow down again. The goal of a greatly increased income annually and of steadily rising employment, when peace comes, need not be a pipe dream. It can be attained. And with it we can cross the threshold into the brave new world of progress and prosperity for everyone.

I don't say that it will be easy. We all know that it won't be. Anything that is worth having has to be earned. What we have accomplished in this country in 150 brief years hasn't been easy. But it has been well worth all of the effort. In that brief period a great nation has been built out of what, in the beginning, was only a thin and poor strip of civilization along the Atlantic coast, with perhaps 95% of the people ill-fed, ill-clothed and ill-housed by present standards.

It is this mighty nation which has equipped the armies and navies of ourselves and our allies to fight on fifty battlefronts over the world; energized the backward industries of China and India; provided plants and machines for Russia, Australia, Persia and South America; built railroads across the desert; spanned the oceans with bridges of ships; girded the globe with airliners and performed industrial miracles from Iceland to Egypt.

Yet today we are not tired.

Do you wonder that a nation, which in the thirties seemed too weak and decrepit to provide work for ten million idle men and women, was able to amaze the world with its strength in 1942 and 1943? The answer is easy. We were never weak. We have had the power all of the time. The trouble in the depression years, when for the first time we failed to make economic progress, was that we didn't have customers enough to do the job. They were fear bound, freezing their money for fear of disaster, or freezing their money making ingenuity for fear of fear, and thereby helping to create both fear and disaster. We didn't do the selling job that would make the products of our factories more desirable than a row of figures in a bank book. We didn't do the selling job that impels men and women to be creative and more productive in order to get what they want. We didn't do the selling job that translates purchasing power into action, and changes dollars into markets. It is no wonder that programs designed to relieve unemployment failed to cure the depression. They piled fear of taxes on top of fear of unemployment.

When customers who had to have goods instead of money came along in 1940 and 1941, then the wheels began to spin, the employment total mounted and the relief rolls melted. The customers were the allied governments. They feared defeat more than anything else and had to spend.

The gigantic customer of war shelved the problem temporarily but at a colossal cost in national debt. But we did prove to everyone that customers are the answer.

Who will be the customers when peace comes again? That is the problem. They must be sound economic customers who buy without increasing national debt. We certainly can't afford the extravagance of another depression. The customers will simply have to be the 135 million Americans and the people in other countries who want and need the things that our factories can produce. They must want goods and services more than they want dollars. They must want them badly enough to work and earn them.

So how do we get fearless and avid customers? What causes people to buy the things they want and need? How are we going to end the fear cycle; turn purchasing power into action so there can be progress and prosperity? The answer is by dynamic selling, the selling that makes goods and services more desirable than idle money, which we know now means idle men and idle plants. It can't be done by threats. Nor by raising the ghost of another depression. Nor by scaring ourselves to death with the possibilities of inflation. Nor by freezing our economy and our opportunities and our freedom. Nor by continuing rationing, price controls, ceilings and other war-time expediencies unnecessarily into the future.

Many of these controls are necessary war-time restrictions which we gladly accept in order to "back the attack" upon the Axis. But when the war need is finished they become denfensive weapons in the battle on the economic front. We need aggressive weapons to win. In the coming days dangerous inflation must be prevented. But is "defense" the best solution?

The very term "back the attack" means that as a nation, Americans are primarily aggressive. Is the defense way our way? Is the line of defense on the economic front holding, even now? Does defense ever succeed? Did the Germans hold the Dnieper, or the Volturno lines? Did the French hold the Maginot line?

And let us ask ourselves this question—if we continue rationing, etc., into post-war, won't we be continuing regimentation, won't we be substituting dangerous experiments in managed economy for freedom and democracy? Are we going to solve the problems of peace by creating more fear—or by working to eliminate fear?

We can eliminate fear. We can bless our economy with dynamic customers. We can solve our economic problems. But we can do these things only through freedom and domocracy. We can provide real security only through aggressive selling, which creates jobs and payrolls and opportunity. Through ways which necessitate more production we can succeed economically in the future just as we are succeeding in a military way today.

Can we do the selling job which must be done for an expanding and successful future and still prevent inflation? And if there is as great danger of inflation, right after the war, as some experts insist there is, can we meet that danger in an American way, as we have always met our problems? Isn't there a way which will utilize instead of ignore our incentive principles, a way which will let freedom and domocracy reign again in this country, a way which will inspire confidence and stimulate rapid progress?

Before we take this bitter pill, which some economic doctors are prescribing, that the only way to save ourselves from disaster, when peace comes, is to let the bureaucrats ration our lives, put ceilings on our efforts, and priorities on our futures, let's employ our ingenuity a bit.

This is a war to preserve freedom and democracy, to preserve freedom of choice and our selling way of life. If we win the war and keep our freedom and democracy and selling way of life imprisoned in a concentration camp, what have we won? That is not preserving them—that is embalming them.

Maybe those who are crying "wolf" today have a purpose. I do not know and I'm not going to point a finger at their motives. But I do think there is a chance that they may be mistaken, when they say that dangerous inflation is unavoidable, except through continued regimentation. I do know that we cannot have inflation and depression at one and the same time. And I know that all we did, when we hurried off to war work was to lock the depression in a closet and it is still there ready to haunt us if we give it a chance. I know that some of those who are shouting the warning of inflation today are the same ones who not so long ago were predicting that this war would end in the biggest and grandest depression the world has ever known. They can't be right about both predictions.

We can't have a depressing inflation any more than we can have an inflationary depression. We can't be hell-bent for destruction in two directions at one and the same time.

I have no intention of joining the camp of either of the economic dogmatists. What I do want to do, however, is urge that we all take a good square look at the future and then prepare to deal with whatever danger exists in a really American, constructive way. If depression is ahead, let's set out to solve it, not temporize with it. If inflation is in prospect, let's find ways to combat it and derail it that are based on American principles and incentives. Let's prepare for peace in sound and logical ways.

The inflationists fear that when peace comes the American people will go on a great big spending binge and wake up afterwards with such a hangover as they have never had before. If you want to, you can look at the estimate of one hundred billion dollars backlog in buying power by 1944 and the unfilled wants and needs of the American people, accumulated in wartimes, and feel the hands of inflation on your throat. Lots of people are shaking their heads over that prospect right now.

But let's not jump to conclusions. Let's look at both sides of the picture. It is a dangerous pastime to assume that people will do one thing or another, without all the facts. Above all, let's not repeat the mistake made in the thirties of assuming that purchasing power alone means markets for goods. Purchasing power is a static thing. Purchasing power in the bank creates nothing of itself, except trouble. Markets are dynamic. They are intangible but they are as important as plants and machinery. It is the energizing of purchasing power that produces worthwhile results in jobs, payrolls and more production. No one has to spend his money. It is the privilege of every American to spend only if he wants, when he wants, where he wants and for what he wants.

Who, then, can properly predict how much of the accumulated purchasing power will go for silk shirts and gadgets in the first flush of peace?

Certainly many people who fear the future are not going to dissipate their principal protection against unemployment and misery. Do you think people who fear idleness are going to spend themselves into destitution? Maybe they are going to rush out and cash their war bonds, but I think a large percentage of them will continue to think war bonds are the best investment in the world. People know they are going to have to pay higher taxes than ever before. Isn't that apt to be a restraining and sobering factor? For two years now they have been taught thrift and conservation. Can we assume that those lessons will be forgotten just because the war is won?

Many people may prefer to wait for the wonderful new products which have been talked about and will not come off the production line for six months or a year after complete victory.

And what about the fact that the war is pretty well over for some individuals and some factories? They already are in the transition period. Have we given proper weight to the importance of this change? There has been a tendency to assume that this war will end with a sudden bombshell of peace dropped in our laps. But the war is now over for some industries. The construction industry, the cement industry and others have filled the barrel and have little remaining war work to do. Some cartridge plants have been taken out of production. Some locomotive works have stopped making tanks and are again building engines. The Civilian Supply Branch of WPB has authorized some factories to make electric irons, washing machines and other products of civilian industry. This tendency will increase as more industries get over the hump of war production. The Army this month turned back thirteen billion dollars. That is thirteen billion dollars of war production that no longer is contemplated. Also it is thirteen billion dollars taken out of the inflation bomb. And that is a lot of dynamite.

I am not trying to establish that when peace comes the inflation bomb will be a dud. That would be as shortsighted as to assume that it will be a block-buster. Either assumption is a booby-trap.

But if we automatically continue the war-time controls into the period of peace, without being certain that inflation is on the way, and without trying desperately to find a better means of avoiding it, we may be bringing about disaster of still another variety.

Can we employ our sales technique, our selling way of life, to bridge this dangerous gap of transition from war to peace? Can we do this so as to make sure that at all times production is being encouraged instead of discouraged? Can we do it so as to stimulate employment and make sure that our returning heroes are rewarded with jobs and payrolls instead of new WPA shovels which will rust on made-work projects along with their glory and skills?

What I have to offer are some proposals which may be worth considering before we plunge off the deep end and say that a controlled, managed, regimented economy is our only salvation. These are not a panacea. They are simply ideas to consider. Perhaps they may point the way to methods which will be sounder and more hopeful than continuation of the wartime emergency into our post-war lives.

An economy of "thou shall not" is contrary to the human nature of the American people. What we need is something that goes along along with human nature, that permits freedom and democracy to exist again. We need something that will stimulate our economy and in turn put an end to fear in all of its hideous forms.

If, when peace comes, the people of this country decided to live out of income and to keep their backlog of savings for personal emergencies, for future home building and major investments, instead of splurging it, we would have little cause to fear inflation. We have utilized our sales technique in this war to induce people to conserve, to do this and that important to the war effort, and to put their surplus funds into war bonds. Why can't we employ the power of selling to induce them—for their own self-protection, too—to live out of income when peace comes. We can sell the importance of keeping reserves to provide jobs through investments and expanssion, just as certainly as we can sell the importance fo saving fats and salvaging tin. The incentive is there.

Part of our worry about the future is that those who have been patriotic by buying war bonds will be selfish in peace and cash them in. Many people will, undoubtedly. But certainly many of them won't, if there is a real inducement to keep them, and particularly if there is a tangible extra incentive of some nature. Therefore, to make the inducement still stronger, and thus to provide a greater incentive, the public might be offered a little higher interest rate in a refunding. That would appeal to many. It would make it more desirable to hold the bonds to maturity than to cash them in for purchase of some extravagance. Yes, it will make the cost of the war a little higher, but if we control inflation it will be cheap.

These are only steps, of course. But we haven't exhausted our possibilities by any means. There are taxes, for instance. An excise tax on hot money. A tax adjusted to the production rate of those items which are in greatest demand, would avoid the danger of putting brakes on our whole economy. It might be a smart way to eliminate black markets, too. We are going to have high taxes, anyway. Why not make the tax system work for us? Why not have a sliding excise tax, that would be adjusted to the production rate in each consumer industry where shortages will exist, so that at all times during the transition period, demand and supply would be in approximate balance? The tax would go down, releasing more demand as production of specific goods increased, until finally there would be no need for such a tax. The danger would be passed.

It would in effect be an anti-inflation tax. It is intended to defer those desires of the public that exceed the production rate prevailing in the early post-war days. It would be adjustable and temporary, and apply only to the hot spots in consumer goods.

We might call it a tax on impatience.

We would be controlling the inflationary urge, and at the same time be ready to have a normal American economy at the first opportunity. Isn't this more practical than a hit or miss system of continuing wartime controls, either so long that the deflationary spiral is started all over again, or taken off too soon so that inflation gets away from us? And perhaps it is a suggestion that would prevent penalizing everyone with priorities, price ceilings, etc., when the danger may exist in only a relatively few lines and products.

We have always thought of taxes as a destructive force. That is because no sound effort ever has been made to relate taxes to our economic scene. They have been levied and collected regardless of what harm might be done. But do they need to be destructive always. Taxes are a lot like elec-

(Continued on page 2324)

Royal Bank of Scotland
Incorporated by Royal Charter 1727
HEAD OFFICE—Edinburgh
Branches throughout Scotland
LONDON OFFICES:
3 Bishopsgate, E. C. 2
8 West Smithfield, E. C. 1
49 Charing Cross, S. W. 1
Burlington Gardens, W. 1
64 New Bond Street, W. 1
TOTAL ASSETS
£108,171,956
Associated Banks:
Williams Deacon's Bank, Ltd
Glyn Mills & Co.

Australia and New Zealand
BANK OF NEW SOUTH WALES
(ESTABLISHED 1817)
Paid-Up Capital £8,780,000
Reserve Fund 6,150,000
Reserve Liability of Prop. 8,780,000
£23,710,000
Aggregate Assets 30th Sept., 1941 .... £150,939,354
SIR ALFRED DAVIDSON, K.B.E., General Manager
Head Office: George Street, SYDNEY
The Bank of New South Wales is the oldest and largest bank in Australasia. With over 870 branches in all States of Australia, in New Zealand, Fiji, Papua and New Guinea and London, it offers the most complete and efficient banking service to investors traders and travellers interested in these countries.
LONDON OFFICES:
29 Threadneedle Street, E. C.
47 Berkeley Square, W. 1
Agency arrangements with Banks throughout the U. S. A.

NATIONAL BANK of EGYPT
Head Office Cairo
Commercial Register No. 1 Cairo
FULLY PAID CAPITAL . £3,000,000
RESERVE FUND . . . £3,000,000
LONDON AGENCY
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Branches in all the principal Towns in
EGYPT and the SUDAN

NATIONAL BANK of INDIA, LIMITED
Bankers to the Government in Kenya Colony and Uganda
Head Office: 26, Bishopsgate, London, E. C.
Branches in India, Burma, Ceylon, Kenya Colony and Aden and Zanzibar
Subscribed Capital........£4,000,000
Paid-Up Capital........£2,000,000
Reserve Fund........£2,200,000
The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

World Inflation: War And Post-War

(Continued from page 2319)

Fall of 1943, and India is now accumulating such balances at the rate of £300,000,000 a year, which largely explains why India's currency outstanding has more than quadrupled since the outbreak of the war. In the Middle East—Iran, Iraq, Egypt, Palestine, Syria—England acquires local currency to meet her military expenses by giving in return pound sterling balances in London, which tends to cause local currencies to increase as those countries accumulate London balances. Much the same currency expansion occurs in the German-occupied countries as their clearing claims accumulate in Berlin.

Largely as a result of the building up of blocked balances abroad and the financing of budget deficits by currency issue or bank credit, the money supply has already increased more in China, Greece, Iceland, Japan, Italy, India, United States, the Middle East, and perhaps in Great Britain and Canada, during this war than during World War I. Undoubtedly by the end of this war the money supply of most European countries will have expanded by a larger percentage than was the case during the last war.

During World War I, the gold reserves of the central banks in France, Italy, and Germany increased considerably, yet prices continued to rise in those countries. Indeed, the German Reichsbank had enough gold in January 1921 to redeem more than 5 times the total amount of currency then in circulation in Germany at the existing exchange rate, yet the German mark continued to depreciate. Her gold holdings did not benefit Germany because she did not use them to halt the printing of paper money and its rapid depreciation.

In this war, our great gold hoard of 22 billion dollars also has served in no way to check inflation either here or abroad. It is the only important resource that we have failed to mobilize for war purposes. Indeed, we have so restricted its use and export, that 1/35th of an ounce of gold has been valued as high as 4, 5, and even 8 American dollars in markets in the Middle East and the Far East. In other words, gold has commanded a premium from 300 to 700% over the dollar in those areas and we could make a profit of that magnitude by making payments in gold rather than in dollars.

In September it was announced in Chungking that the Chinese Government had decided to use $200,000,000 of our $500,000,000 stabilization loan in 1942 to China, in order to buy gold from the United States and to ship it to China. In other words, instead of importing hundreds of tons of paper money from this country in order to pay military expenses, China will import gold and use the Chinese money received from its sale to meet China's military expenses, in that way helping to avoid further increases in the paper money outstanding in China. This Summer it was reported that the same technique of importing gold for sale locally was being discussed as a means of combatting inflation in the Middle East. The natives in the East are accustomed to save by hoarding precious metals and cannot be induced to buy bonds as a means of absorbing their surplus funds. We need not fear that the gold may fall into Axis hands, although it would help us to win the war if the Axis would be foolish enough to absorb it, giving us important war materials in return. There is little likelihood of that, however, for Japan now has command of so many gold mines that she is reported to have sharply curtailed gold production in areas under her control.

II

Turning again to the table, it is evident that many of the European countries participating in World War I suffered more from price inflation after the war than they did during the war. That was true of Germany, Austria, Hungary, Greece, Russia, and perhaps Roumania. Poland is a special case, as the Republic of Poland came into existence in November, 1918, and Poland was at war with Russia until 1920. Other countries, such as France, Belgium, Finland, and Bulgaria, experienced a two to fourfold increase in their price levels in the post-war period.

It is worth noting that countries like Germany, Austria, and Hungary, which experienced the most extreme inflation after the war, were among the first to stabilize their currencies. They did not delay stabilization in hopes that they might be able to return to pre-war parity of their currency with the dollar. It is also worth noting (see the last column of the table) that the post-war peaks in the price levels of most European countries that were in the war occurred in 1924, 1925, and 1926—6 to 8 years after the Armistice.

There are a number of reasons, some of which have already been mentioned, why price inflation did not end with the war. The basic reason was that in most of these countries national expenditures continued far in excess of tax revenues, so that the budget deficits in part had to be financed in ways that continued to expand the money supply. In each one of these countries, the post-war peak in the money supply prior to legal currency stabilization occurred about the same time or shortly after the post-war peak in the price level. For five years or more after the Armistice of 1918, budgets continued unbalanced in France, Belgium, Italy, Poland, Greece, and Russia. Budget deficits continued because tax systems could not be adjusted so that revenues could keep pace with price increases and because large sums were spent for reconstruction costs, relief and pensions, subsidies, reparations, interest and principal on government debts, losses from attempts to peg exchange rates, and similar items.

Indeed, a vicious circle tended to develop. Rising prices tended to stimulate spending and to drive prices up further through increased velocity of circulation of money. The expectation of increased prices and depreciating currency tended to stimulate a flight of capital and bear speculation, with the result that a drop in the exchange value of the currency increased import and export prices in the country's currency. With prices and interest rates rising, the floating debt was at times presented in large quantities for repayment and it was difficult to fund the floating debt into long-term debt. Also higher prices permitted a larger volume of business borrowing from the banks. This vicious circle could only be broken by determined action to prevent further government borrowing from the central bank, thus restoring to that agency full control over the money supply, combined perhaps with the selection of an exchange rate that did not overvalue the currency, which rate the central bank would enforce by the purchase and sale of exchange when necessary.

The world should have learned a great deal from the experience with currency stabilization after the last war. The neutral countries and England returned to the pre-war parity or gold content of their currency units—Sweden in 1924; Switzerland, Holland and England in 1925, Denmark in 1927, and Norway in 1928. Such restoration meant drastic deflation for some of them. Against the warnings of financial experts, Swedish wholesale prices were reduced 50% in one year (Sept. 1920 to Sept. 1921) through a deliberate deflation policy that subjected Swedish industry and commerce to a severe strain. From the middle of 1924 to 1927, the exchange value of the Danish krone and the Norwegian krone almost doubled and their price levels fell nearly 50% as a result of a deliberate policy of appreciating the exchange value of the krone to pre-war parity. Although wishing to appreciate gradually, the very announcement of that intention led exchange speculators to anticipate the goal, with the result that Norway and Denmark experienced a major depression during the period from 1925 to 1928, when the rest of the world was enjoying prosperity.* The depression, at least in Norway, was more severe than the one beginning in 1929. As is well known, England's return to gold at a price level 10% too high helped to depress her export industries, increased her unemployment, and put pressure on her bank reserves.

Another group of countries stabilizied by devaluing or reducing their currencies to between one-fourth and one-eighth of their pre-war gold content. This group included Finland returning to gold in 1925, Belgium in 1926, Italy in 1927, and France in 1928. Belgium and France wisely picked a rate that somewhat undervalued their currencies, and Finland's rate so closely approximated purchasing power parity that her price level remained constant from 1923 to 1929. Mussolini, on the other hand, was determined, against the advice of his financial experts, to have the exchange value of the lira above that of the French franc even if it required the "last drop of blood." The exchange value of the lira consequently rose from 3.30 cents in August 1926 to 5.26 cents in December 1927, where it was stabilized. As a result of stabilizing at too high a value for the lira, Italy's exports contracted and the Italian price level fell off 30% from August 1926 to September 1929, causing serious economic disturbances and banking distress.

In other countries like Germany, Poland, Austria, Hungary, and Russia, the currency depreciated to a negligible fraction of its former value and, in all cases except Hungary, a new currency or currency unit was introduced to replace the old one. Stabilization occurred in Austria in 1923, in Germany and Russia in 1924, in Hungary in 1925, and in Poland in 1927. (Bulgaria returned to gold in 1927, Greece in 1929, Rumania in 1929, and Japan in 1930.) Some of the new currencies introduced really had no reserves as backing, but they began to appreciate rapidly in value as people hoarded them. Indeed, experience proved that with currency stability the velocity of circulation of money fell so sharply that in a number of countries the new currency and even old currencies had to be doubled, tripled, and even quadrupled in amount to prevent prices from falling. Although foreign loans were used to help Austria and Hungary control the exchange rate and balance the budget while stabilizing, no foreign loans were necessary for actual stabilization in Germany, Russia, Finland, or France.

Experience with inflation and currency stabilization after World War I clearly indicated the prerequisites for successful stabilization: (1) ability to balance the budget or to meet budget deficits without increasing the money supply; (2) clear-cut determination, in advance, of the goal to be achieved and, if necessary, full use of the nation's powers, especially those of the central bank, to achieve that goal; (3) the selection of an exchange rate that does not greatly overvalue the currency. Failure to accomplish these three steps largely explains why currency stabilization in Europe was delayed from 5 to 10 years after the Armistice.

Without control over the budget, it is not possible to stabilize the currency. In some cases, as in Belgium and France in 1926, it was necessary to place dictatorial powers in the hands of the head of the Government (M. F. Francqui and M. Poincare) in order to increase revenue, reduce expenditures, and put internal finances in order preparatory to stabilization. To accomplish the Austrian and Hungarian stabilizations, extraordinary powers were used, and supervision over certain internal financial matters rested with an agent appointed by the League of Nations. Huge expenditures for reconstruction, reparations, relief, revolution, and counterrevolution, kept budgets unbalanced in Europe for many years after the Armistice.

Lack of an agreed-upon objective was responsible for failure to accomplish stabilization in a number of European countries that vaguely hoped to return to pre-war parity. The result of announcing that the country hoped to stabilize, but without revealing the approximate exchange rate or rates was that speculators had a field day and the central banks lost exchange reserves. For example, the Bank of Belgium lost approximately $100,000,000 of exchange reserves in a few months in Janssen's attempt at stabilization late in 1925 and early in 1926. M. Janssen never revealed the rate he wished to achieve, apparently because he hoped for gradual appreciation in the exchange value of the franc following temporary stabilization.

During an inflation with uncontrolled exchange markets, the external or exchange value of a currency tends to be lower than its internal purchasing power. Therefore, selection of the external, rather than the internal, value for stabilization tends to stimulate exports relative to imports, thus building up foreign exchange balances; tends also to stimulate business, as internal prices continue to rise somewhat, thus making it easier to balance the budget with increasing revenues, declining relief costs, and a lower real debt burden; and consequently tends to result in a repatriation of flight capital. (One of the reasons for some post-war inflations is that public debt had increased so much that the burden on active elements in the society would have been too great at pre-war price levels.) Successful stabilizations in Austria, Hungary, Germany, Finland, Belgium, France, et cetera, were based on exchange

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*See Chapter 9 in my **Monetary Experiments** (1939).

There's a Christmas rush on telephone wires, too

Help keep war-crowded circuits clear on December 24, 25 and 26.

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stabilization, not exchange appreciation. The Hungarian attempt in 1921 to stabilize by aiming at exchange appreciation promptly failed.

After this war, most countries will be so anxious to obtain cheap imports and so obsessed with thoughts of the unfortunate effects of low exchange values for the currencies of occupied countries, that they are likely to repeat the mistake of the 1920's, in striving to have too high an exchange value for their currencies, for reasons of prestige as well as to combat inflation and improve their terms of trade. Especially is such an error likely to occur if stabilization is attempted shortly after the war ends, while scarcities still exist.

III

Price level movements in the first years after hostilities cease are likely to be almost as diverse as after World War I and may follow a somewhat similar pattern.

Inflation will continue in India and the Middle East as long as large military expenditures occur in those areas — Allied military expenditures were estimated at £500,000,000 in India and a like sum in the Middle East, by the Summer of 1943. As the rise in prices has been due largely to Allied military expenditures and a decline in civilian goods for sale, rather than to badly unbalanced budgets, prices should cease to rise shortly after the war. This is all the more likely to be the case since price controls have not been effective during the war and there will not, therefore, be a large volume of dammed-up purchasing power exerting upward pressure on prices as is likely to be the case in this country during the early post-war years. As wages have gone up with prices and as the money supply in these areas is not likely to be reduced after the war, the exchange value of these currencies will have to be adjusted to take account of the decline in their internal purchasing power relative to the pound sterling and the dollar.

In China, price control has been completely ineffective. Nevertheless it looks as though China would avoid a runaway inflation. The rate of price increase appears to have been declining in Free China since 1940 and this year has probably been less than half as great as in 1940 or 1941. This indicates that the velocity of monetary circulation has not been increasing very much, and, for reasons peculiar to the Chinese economy and spending habits, is not likely to increase much. If China has a stable government after the war and does not resort to new issues of paper money, prices there should begin to decline for the same reasons that they did here after the Civil War—increase in the goods available for sale and in the area of circulation of the currency. It will, of course, be necessary after the war to adjust the official exchange rate of 20 Chinese dollars to 1 U. S. dollar, which has been maintained since 1941. In terms of their respective internal purchasing power (so-called purchasing power parity), the rate should now be over 200 to 1 U. S. dollar.

In the German-occupied countries, a post-war rise of 100 to 300% in official price levels is not unlikely during the first post-war years. Black market price levels now are at least double or triple official price levels. After the war the relative scarcity of goods will gradually disappear and the elimination of occupation costs will help to reduce budget deficits. Nevertheless, the large costs for reconstruction, relief, repatriation, restoration of industry, et cetera, will undoubtedly keep budgets unbalanced for a few years after the war ends. The clearing balances credited to these countries in Berlin may prove of little real value, the velocity of monetary circulation is likely to increase, and the expectation of reparations receipts may prove to be inflationary as it was after World War I. In addition, it may be some time before stable government is restored in some of these countries. In certain cases, political revolutions may break out after the war is over, accompanied by currency issues as was the case in some European countries after World War I.

A severe post-war inflation is likely to occur in both Germany and Japan, especially if their administrative machinery collapses so that price and exchange control completely lose their effectiveness. Both countries have been meeting a large percentage of their total war expenditures by inflationary financial methods. In addition, they will have sizable external debts and reparations burdens to meet in the early post-war years, and there will be huge reconstruction costs, severe shortages of goods, and varying degrees of political revolution. In Germany especially, fear of the repetition of the previous post-war inflation is likely to drive up the velocity of monetary circulation and, thus, prices.

Post-war inflation in the Balkans may be as marked as it was in Bulgaria, Greece, and Rumania after the last war. This time Greece at least, will experience the evils of hyperinflation.

At the end of the war, price control and rationing in the United States, Great Britain, Canada and Australia will have built up large reserves of liquid funds in the hands of the public. Such surplus purchasing power, in the form of cash, checking accounts, Government bonds, liquidation of credit, et cetera, has been estimated at 100 billion dollars for the U. S. by the end of 1944, assuming that price control is reasonably successful. Under those circumstances, we shall be faced at the end of the war with the choice of keeping prices down by maintaining war-time controls, at least until the end of the post-war "transition" period, or of withdrawing those controls and experiencing a post-war rise in our price level of perhaps 200%. Prime Minister Churchill and other British officials have stated in no uncertain terms that Britain has already selected the first alternative. Judging from previous experience and public opinion polls, the controls here are likely to be withdrawn rather soon after the end of hostilities so that our price level will rise relative to the British price level during the "transition" period.

IV

Prediction of future price levels is a hazardous occupation, and the above "guesses" could, at best, be only roughly correct. The important point is, however, that there are bound to be wide differences in national economic, financial, budgetary, and monetary policies in various countries during the first post-war years. Many countries will and should continue price and exchange controls for a few years after the war ends. Failure to maintain such wartime controls to combat inflation partly explains the monetary chaos after World War I.

This is not the place for extensive comment on the Keynes and White plans for new international monetary mechanisms. Nevertheless it should be pointed out that successful operation of such schemes would require a fairly stable world, relatively free from wartime controls, and would also require considerable uniformity of monetary and price policy in all member countries. This is recognized in provisions for the abandonment of exchange control except in the case of capital transfers and in provisions for the Fund or Union to exert influence or control over national financial and economic policies.

The Keynes and White plans contain no statement of the monetary and price policy (the objectives) to which member countries would be required to conform. They simply provide a mechanism—a mechanism, however, that is inflationary in character since under both plans, and especially under the Keynes plan, the volume of international money or currency reserves would be greatly increased. The introduction of a scheme with an inflationary bias would be much more appropriate some time after the post-war "transition" period, when world-wide deflation could again be considered a real threat. As indicated above, the big problem in most countries right after the war will be to combat inflation, and a mechanism that provides for automatic loans to all member countries at 1 or 2% interest without investigation or specific approval is not well suited to meet the problem.

Furthermore, exchange parities will have to be completely revised after the war. Even now in terms of purchasing power parity (comparison of the foreign currency's internal buying power with that of our dollar), the official exchange rate values the Chinese dollar about 35 times too high, the Turkish £ over 4 times too high, the Indian rupee over two times too high, and the British £ perhaps 10% too high. On the other hand, the Canadian dollar and the Australian £ are somewhat undervalued in terms of our dollar. With marked changes in the international economic position of countries during and right after the war (for example, the loss of her large net foreign investment and the relative decline in her shipping position will require that England export perhaps 50% more than before the war to obtain her pre-war volume of imports) and with significant shifts in commercial and exchange-control policies, exchange rates can be readjusted with some assurance of success only after the post-war "transition" period. Prior to such a period of adjustment, many countries would hesitate to adopt a new official exchange rate for fear of suffering the adverse economic effects experienced by England, Italy, and other countries in the 1920's, following the adoption of a rate that proved to overvalue their currencies.

For these reasons, it would seem preferable to delay the introduction of any such world monetary mechanism as the American and British Treasuries have proposed until two or three years after the war ends, when the national economic and political stability prerequisite for international monetary stability have been established in important areas of the world. In the meantime, arrangements for monetary cooperation and exchange stability between leading countries along the lines suggested by Professor Williams in the July issue of **Foreign Affairs** could be tried. Even a joint program for monetary stability between Britain and this country would encounter a number of difficulties in the immediate post-war years in view of probable differences in internal policies, particularly with regard to the maintenance of war-time controls.

Post-war inflation cannot be solved by a global scheme, but must be attacked country by country. In many cases, outside financial help will be needed, preferably under the auspices of some international agency, but such help should only be forthcoming after agreement on a program that will lead to those conditions within the country that appear to be necessary for successful stabilization. In this connection, the League of Nations' programs for currency stabilization in Austria in 1923 and Hungary in 1924 offer models for the forthcoming post-war period.

The threat of post-war inflation contains devastating potentialities and must be met by practical solutions based on past experience. It is time that international arrangements for assisting countries to combat post-war inflation be considered and adopted. The world can ill afford to repeat the unfortunate inflationary experiences of the 1920's, which bear so much responsibility for some of our recent troubles.

Brakes On Inflation By Reduced Spending

The First National Bank of Boston in its New England Letter, under date of Nov. 30, states that "Inflation is a growing menace" and that "Consumer income is outrunning the supply of goods available with resultant upward pressure on prices." The letter continued:

"We have reached the stage where there is a race between wages and prices, and unless this is checked it may form a vicious circle that will defy control. Since the fuel for inflation stems from the huge deficits created by the tremendous war spending, the most effective means of curbing the inflationary force is to cut down on unnecessary expenditures. Obviously our armed forces should be furnished with all the materials and equipment that military demands dictate, but the fact remains that with war expenditures running about ten times as high as during the First World War, there is a large margin for savings. It is estimated that a reduction of 10% in the war program would be about 35 billion dollars, an amount in excess of the total cost to us of the First World War. Such a saving over the war period would in the long run relieve the taxpayers of an equivalent burden. While as large a proportion as possible of the Federal deficit should be financed by taxes, we have practically reached the ceiling on taxation as far as a large percentage of our population is concerned. This applies particularly to persons with a fixed income and those whose incomes have not kept pace with the rise in living costs. The piling up of unnecesary tax burdens not only threatens the ruin of the middle class in this country, but tends to destroy the incentive of risk taking on the part of those who have money to invest, and without risk taking private enterprise cannot survive. So as we approach the peak in our war production, it is timely to scrutinize carefully the colossal amount of money appropriated for military purposes, and to be mindful that needless waste may do irreparable harm to the foundation of our society and economy.

Another Great Army

Twenty million people are banded together for mutual protection through life insurance in The Prudential.

Wouldn't you like to join them?

THE PRUDENTIAL HAS THE STRENGTH OF GIBRALTAR

The Prudential Insurance Company of America
Home Office, NEWARK, N. J.

Employees Profit-Sharing And Retirement Trusts

(Continued from page 2310)

come and excess profits taxes. In effect, therefore, Government contributes to the maintenance of the plan to a degree determined by the corporation's highest tax bracket.

It is not surprising that in the subsequent years—and today—the insurance industry has done well in this new field. This favorable tax treatment—high-lighted by the excess profits taxes—against a background of increasing consciousness of labor problems, is enough to set any alert management at least to investigating the Pension Plan's possibilities. Many corporations have adopted them.

But now the investment man is to have his day. For the framers of the Revenue Act of 1942, realizing that in many cases Pension Plans were not practicable, extended in that Act the same favorable tax treatment to discretionary trusts created by corporations for the exclusive benefit of executives and employees — **trusts whose funds are to be invested and reinvested in securities.** And, as will be noted from the description which follows, in cost, in flexibility, in simplicity and in breadth of usefulness such Employees Profit-Sharing and Retirement Trusts have many advantages over Pension Plans and are desirable companions to Pension Plans already established.

Their Tax Advantages

A corporation's contributions to an Employees Profit-Sharing and Retirement Trust which is bona-fide and non-discriminatory as defined in the Revenue Act of 1942, are treated as a business expense, deductible before computing the the corporation's income and excess profits taxes. The limitation set is 15% of the total annual compensation of all participants, that is of all executives and employees included. (Such contributions are also considered an expense in renegotiation proceedings.)

The trust itself is tax-free, both as to income and realized profits. The participant, or beneficiary, is not taxed until he receives his share—presumably on retirement when it seems reasonable to expect that his tax rate will be substantially less than at present. On the corpus he pays the long-term capital gains rate in effect at that time.

Because a participant's interest in such a trust is "deferred" compensation, these trusts do not violate present salary and wage stabilization regulations, provided that disbursements are prohibited for the duration of such regulations except in case of disability, death or retirement.

How They Are Established

A detailed plan, drawn by counsel familiar with the Act and regulations, and adopted by the Board of Directors, sets the standards determining which employees are eligible, when a participant's interest is to be changed from a **contingent** to a non-forfeitable or **vested** interest, the retirement age, the method of disbursing interests at retirement (the payment may be spread over a period of years thereafter or made in full) and makes provision for a Trust Committee to exercise its discretion over investments and over other details of operation. This Trust Committee is appointed by the Board and often includes the chief personnel officer.

A Trust Agreement provides for custodianship of all the assets of the trust with a bank, trust company or individual, under the direction of the Trust Committee.

The Plan and Trust Agreements are filed with the Bureau of Internal Revenue for approval and with the proper wage and salary stabilization authorities. Decisions embodied in these documents are by no means irrevocable, they can be amended at any time and the standards set can be changed from year to year.

Certain steps should be completed before the end of a corporation's fiscal year in order to obtain the tax advantages with respect to that year's earnings. But filing of the plan can be done at any time up to the required time of filing income tax returns.

They Must Be Bona Fide

Each trust is subject to individual scrutiny by the Internal Revenue Department. However, the law itself makes plain the minimum requirements which, if fulfilled, will make a plan bona fide and non-discriminatory in character. (A plan based on a uniform percentage of total compensation paid to each participant is **not** discriminatory.) At least 56% of all full-time employees with five years' service or less **must** be included as participants, and the broadest possible inclusion of full-time employees is recommended. The **number** of participants is not a consideration for the tax benefits are applicable to small corporations as well as large ones.

How They Operate

The contributions made by the corporation are optional in each year—they are truly of a profit-sharing type. In poor years none need be made. Once made they are irrevocable. They cannot revert to the corporation under any circumstances but only to the participants.

Employees may also contribute but derive no tax advantage. For many reasons it is recommended that their contributions not be accepted.

Each participant in the plan, that is each officer, executive and employee who is eligible under the standards set for that year, has a designated share or interest in the appropriation made for that year, based on the relation his total compensation bears to that of all the then participants. This interest is a **contingent** interest for a stated period of years, and is forfeited (unless the Trust Committee rules otherwise) if he leaves the corporation's employ voluntarily during that period or is discharged for cause. In such event his interest reverts **to the other participants.** After a stated period of years, however, his interest becomes **vested** or non-forfeitable (or, after a stated period of years, a specified percentage of his interest becomes non-forfeitable in each succeeding year).

His **vested** interest is **his** under any circumstances. When a participant reaches the stipulated retirement age (usually 60 or 65) his interest in the trust (including his pro-rata share of all income and profits accrued to that date) is disbursed to him in one of several ways as determined by the Committee. If he dies it is paid to his estate or to a beneficiary that he has designated.

Since the Trust Committe has wide discretion, the trust has many possibilities of usefulness to both the employee and the corporation besides the provision for retirement. On death or in case of disability the entire interest, even if contingent at the time, can be paid out. Payment may be used as generous "notice" or "lay-off" pay. In post-war years a partial payment could be used as an offset to necessary wage and salary cuts in a bad year, etc., etc.

Obviously, its greatest usefulness to a corporation is in the incentive it provides for executives and employees to stay with the corporation throughout good years and bad. The contingent interest built up is far too valuable to be sacrificed willingly. And since, in this period of high corporation tax rates such a large part of this interest has, in effect, been contributed by Government, shareholders may well be saving themselves very considerable amounts in the future by the establishment of such trusts now.

It Appeals to Executives

To the higher-paid executive a Profit-Sharing and Retirement Trust has a powerful appeal. Social Security is of little help to him. His present personal tax rates make it very difficult for him to build up any personal fund for retirement. The accumulation of 15% of his annual total compensation—or even 5%—with quarterly reinvestment of income, appears to him as about the only practicable method of assuring a comfortable future.

A New Investment Field

Investment dealers, surveying the possibilities of this extraordinary large and new field of activity, are especially pleased with the **repeating** nature of the demand for their services. For there will be an appropriation to invest in every good year, and reinvestment of income every quarter. They need not fear the competition of the Pension Plan, first, because the Profit-Sharing Trust is far more flexible from the corporation's point of view, less complicated and less expensive; second, because where pensions plans exist the Profit-Sharing Trust is an ideal companion for it. The tax advantages are **added**, not alternative. And the participant in both has the equivalent of what every prudent man strives for—insurance providing a stated dollar amount, and an interest in equities that presumably will protect his purchasing power in case of inflation.

It is the experience of the writer's organization in assisting corporations to establish Profit-Sharing Trusts that Trust Committees are not usually disposed to favor "institutional" or "legal" type investments. In a fund where the compounding of income plays an important part over a period of years, they prefer a higher over-all rate—and the inclusion of a good proportion of equities as a protection against the inflationary trend which most of them foresee as an ultimate post-war certainty. There is a general desire to confine their responsibility to the selection of experienced professional investment management rather than individually to attempt the selection of securities. The balanced type of mutual fund seems ideally suited to this requirement—a combination of high-grades or Governments, "business men's" bonds and preferred, and well-diversified common stocks. Ease of record keeping and their high liquidity favor the mutual fund as a vehicle.

The writer has no doubt but that Employees Profit-Sharing and Retirement Trusts will rapidly become one of the most impotrant fields served by the investment banking industry. That these trusts are here to stay will not be questioned by anyone who studies the record of their development and the character of their sponsorship. The tax rewards for their establishment, deliberately set by the Congress, are favored by all divisions of political thought, by labor and by management. And their appeal to corporation management is so strong that we and our associates have found that 90% of the corporations approached have accepted it.

EDITOR'S NOTE—The legal aspects of Pension Trust Plans were discussed in an article in the July 29, 1943, issue of the "Chronicle" by Peter Guy Evans, entitled "Pension Trust Regulations Released."

SERVING AGAIN

Christmas In Wartime

will be happier for all of us if we share it

THE SALVATION ARMY WAY

SHARE YOUR CHRISTMAS through THE SALVATION ARMY

ON EVERY FRONT

When Peace Comes

(Continued from page 2321)

tricity. Electricity was only a destructive force until Benjamin Franklin flew his kite. Lightning still does damage but we have made electricity work for mankind in many beneficial ways.

If, in the late depression, we had been realistic about taxes and heeded some of those who had tax incentive plans we might have suffered much less. If, instead of steadily increasing taxes, so that businessmen were fraid to venture and expand, we had adopted a tax incentive to stimulate expansion we might have speedily found the way to jobs and payrolls. A tax, providing concessions for those who spent a percentage of their income in tapping new markets, expanding facilities, modernizing plants and equipment, might have turned the trick. In the long run, it would have been far cheaper for the American people. And certainly more satisfying.

The plan I have just outlined is the roughest of suggestions. I would like to see it explored. If it succeeds in concentrating constructive thinking on the problem, so that out of various ideas we emerge with a program that will inspire confidence in the future, and will provide a way of freedom and opportunity to enter the better world we will succeed in bringing progress and prosperity, with opportunity and security, to America of the future. Certainly the prospects are worth the effort.

The day has passed when the business of America can afford to be complacent. If the American way of life is to survive and to thrive in the days to come we must be realistic and aggressive. We must be ingenious and adventuresome. And above all we must have faith and courage.

The record of what has been accomplished is only an indication of what we can do in the future. We will have the opportunity, such as never existed before. We have never, in all our history, produced to capacity, consumed to capacity or sold to capacity. Not even now. The idle opportunity in the thirties was the opportunity to sell, sell and sell. The opportunity before us now is to use our selling way of life as we never have before. It is an opportunity far greater than our record of accomplishment. If we take advantage of this opportunity—and opportunity does not knock often—we have no need to fear. No reason to fear depression or inflation. We can greet the future with confidence. And with a busier, happier America we can lead the way to a brave new world, a better world. That we can do. That we must do.

Spence Heads House Group

Representative Bert Spence (Dem., Ky.) has succeeded the late Representative Henry B. Steagall (Dem., Ala.) as Chairman of the House Banking and Currency Committee in view of his position as ranking majority member of the group. Mr. Spence has been a member of the House since 1931 and a member of the Banking and Currency Committee for ten years.

U. S. Savings and Loan League War Conference

51st Annual Meeting Studies Post-War Housing Problems

United States Savings and Loan League Elects John F. Scott President At Annual Meeting

John F. Scott, St. Paul, Minnesota, was elected President of the United States Savings and Loan League at its 51st annual meeting and war conference at the Palmer House in Chicago, succeeding Ralph H. Cake of Equitable Savings Loan Association of Portland, Ore. Mr. Scott is President of the Minnesota Federal Savings and Loan Association, which has assets of $20,500,000.

Founder of the Minnesota Federal in 1922 he has been its managing executive ever since. He has been active in the Citizens Tax Relief Organization in his home city and was recently a member of the advisory committee on the construction industry appointed by the Chamber of Commerce of the United States.

Elevated to the First Vice-Presidency was W. M. Brook, Dayton, O., President of the Gem City Buliding and Loan Association, and Second Vice-President of the National Organization for the past year.

The new Second Vice-President is Henry P. Irr, of Baltimore, Md., Executive Vice-President of the Baltimore Federal Savings and Loan Association, the largest in Maryland.

H. F. Cellarius, Cincinnati, O., was elected Secretary of the League for his 48th term.

Morton Bodfish continues as Executive Vice-President of the United States Savings and Loan League.

The following national councilmen were elected at the meeting of the League:

Alabama: James T. Bostick, Guaranty Savings & Loan Association, Birmingham.

Arizona: J. G. Rice, First Federal Savings & Loan Association, Phoenix.

California: George M. Eason (elected but resigned), Standard Federal Savings & Loan Association, Los Angeles.

Colorado: Malcolm Collier, First Federal Savings & Loan Association, Denver.

Connecticut: Frederick T. Backstrom, First Federal Savings & Loan Association, New Haven.

District of Columbia: Wilfred H. Blanz, American Building Association, Washington.

Florida: C. L. Clements, Chase Federal Savings & Loan Association, Miami Beach.

Georgia: J. W. Battle, Decatur Building & Loan Association, Decatur.

Illinois: Edward J. Czekala, National Savings & Loan Association, Chicago.

Indiana: Edward W. Springer, Atkins Savings & Loan Association, Indianapolis.

Iowa: E. M. Klapka, Home Building & Loan Association, Fort Dodge.

Kansas: F. J. McCue, Eureka Federal Savings & Loan Association, Eureka, Kansas.

Kentucky: Thomas A. Barker, Avery Building Association, Louisville.

Louisiana: A. L. Wedgeworth, Home Federal Savings & Loan Association, Shreveport.

Maine: Sumner W. Johnson, Cumberland Savings & Loan Association, Portland.

Maryland: James H. Jones, Loyola Federal Savings & Loan Association, Baltimore.

Massachusetts: Warren W. Oliver, Newton Co-operative Bank, Newtonville.

Michigan: Joseph G. Standart, Surety Savings & Loan Association, Detroit.

Minnesota: Stanton R. Dahlen, First Federal Savings & Loan Association, Thief River Falls.

Missouri: George S. Metcalfe, Roosevelt Federal Savings & Loan Association, St. Louis.

Executive Vice-President

Morton Bodfish

1st Vice-President

W. M. Brock

President

John F. Scott

2nd Vice-President

Henry P. Irr

Secretary

H. F. Cellarius

Private Enterprise At Crossroads, Ralph H. Cake Tells League

Declares Government Controls Must Inevitably Paralyze Initiative If They Remain After The Emergency

"The Government has never built a comparable dwelling any more cheaply than private enterprise and that private ownership and private building will get the short end in any program which professes to give them a free hand only up to the point where they cannot meet the low income group's need," Ralph H. Cake, Portland, Ore., retiring President of the United States Savings and Loan League told the opening session of the League's Fifty-first annual meeting and War Conference.

Ralph H. Cake

"Everybody knows that public housing will not clear the slum," Mr. Cake declared. "Wouldn't we be able to think the whole problem through more clearly and to a more basically American solution if we decided to give rent relief to those who need relief funds to keep them decently housed? We could keep the title to the homes, to the 27,000,000 or so residential structures in America in the name of the citizens. We would be

(Continued on page 2332)

INSTITUTIONAL
FUNDS INVITED
by
First Federal
SAVINGS & LOAN ASS'N
of
DURHAM, N. C.
AN INSTITUTION
WITH CONSERVATIVE
MANAGEMENT

Franklin Federal
SAVINGS AND LOAN ASSOCIATION
of Richmond
Assets over $4,500,000.00
We Invite Your Inquiry On
Investment Of Trust Funds
RICHMOND . . . . 17 . . . . VIRGINIA

Anderson Elected Secy. By Hennepin Federal

MINNEAPOLIS, MINN.—Oliver W. Anderson has been elected executive secretary of the Hennepin Federal Savings and Loan Association succeeding Louis H. Kelly, managing officer of the association since 1916 who resigned to accept a vice-presidency with Minnesota Federal Savings & Loan Association.

Mr. Anderson has been active in the mortgage loan, real estate and insurance fields in the Twin Cities for more than 25 years. For several years he was associated with the Minneapolis mortgage division of the Equitable Life Assurance Society of New York, later becoming local loan correspondent for Union Central Life Insurance Company. For the past 13 years he has operated his own mortgage loan, real estate and property management agency. He also resigned as resident manager of the Metropolitan Life Building when he accepted his new office with Hennepin Federal. Prior to coming to Min-

(Continued on page 2331)

Growth of the Perpetual

1st year	1882	Resources	$27,843.28
11th "	1892	"	900,822.64
21st "	1902	"	2,353,359.39
31st "	1912	"	3,428,144.88
41st "	1922	"	8,447,613.08
50th "	1931	"	26,749,387.06
51st "	1932	"	30,596,813.40
52nd "	1933	"	32,046,298.20
53rd "	1934	"	35,989,219.58
54th "	1935	"	39,834,747.90
55th "	1936	"	43,399,131.66
56th "	1937	"	46,784,020.67
57th "	1938	"	48,413,076.24
58th "	1939	"	50,253,515.75
59th "	1940	"	51,792,313.18
60th "	1941	"	54,216,152.33
61st "	1942	"	56,734,244.06
62nd "	1943	"	60,093,956.07

PERPETUAL
Building Association
"America's Largest"
WASHINGTON, D. C.

1881 SIXTY-TWO YEARS 1943

WASHINGTON PERMANENT BUILDING ASSOCIATION
Washington 4, D. C.

Statement of Condition September 30, 1943

ASSETS

Outstanding Loans	$10,094,210.36
Insurance Premiums Advanced	3,865.37
Accrued Interest	54,718.13
United States Government Bonds	1,300,000.00
Federal Home Loan Bank Stock	100,000.00
Cash on Hand and on Deposit	499,202.89
Office Building, Fixtures and Equipment	59,996.55
	$12,111,993.30

LIABILITIES

Share Accounts	$10,698,941.06
Loans in Process	13,700.00
Dividends Unpaid	25,550.02
Other Liabilities	3,234.89
Reserves and Undivided Profit	1,370,567.33
	$12,111,993.30

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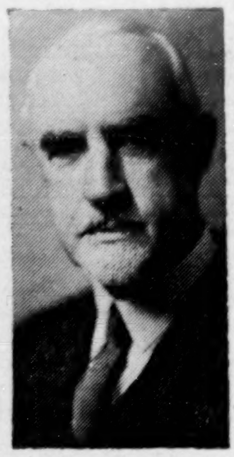
John H. Fahey Warns Of Unsound Boom In Real Estate Prices

Federal Home Loan Bank Head Agrees That Farm Land Prices Are Being Hoisted Just As During World War I—Holds That Bulk Of Workers That Migrated To War Jobs Will Return To Former Abodes When Peace Comes And Housing Boom Brought About By Temporary Swelling Of Population Of Communities Will Collapse

John H. Fahey, Commissioner of the Federal Home Loan Bank Administration, in an address before the War Conference of the United States Savings and Loan League in Chicago, on Nov. 30, said that an unsound boom in real estate prices and inflationary practices in mortgage lending are developing rapidly in the crowded war industry cities of this nation—threatening to bring on such a condition as made it necessary for the Government to step in to halt the mortgage panic of the early thirties. Mr. Fahey added:

"While curbs have been placed on consumer credit and ceilings on rents have helped to hold real estate prices in line, the fact is that real estate as a whole is the only kind of property inviting speculation over which no adequate checks have yet been established.


John H. Fahey

"Only ten days ago Secretary of Agriculture Wickard warned that the prices of farm lands have already been hoisted at about the same rate as in the last war and are increasing from month to month. Those who are not familiar with the collapse which followed that boom should read the record.

"It is obvious that the prices of urban homes are moving up with nearly equal speed. Although new privately financed war housing has been limited to $6,000, in too many communities war workers are being sold existing houses which they are almost certain to abandon after the war, at prices far in excess of real values. While it is true that some of these workers will remain in the sections to which they have migrated, let us remember that an estimated 3,000,000 workers have moved from their former homes to the war industries, a migration never before equalled in this country. Optimistic predictions that the wartime increases of population are permanent for these crowded cities recall not only the years 1922 to 1928, but every land and housing boom that was encouraged by unsound lending and excessive prices during many decades.

"The modernized 15 to 20-year amortized home mortgage, requiring only a small down payment, has been a great encouragement to home ownership in the past decade but such a type of financing demands the application of safeguards in view of the changing nature of neighborhoods over the period of the mortgage.

"What is needed is a thoroughgoing overhauling of our appraisal system by lending institutions of the United States, because in many parts of the country financial institutions of all types are making inflated loans based almost entirely on temporary market conditions and exaggerated appraisals instead of a sound consideration of future values. The situation can easily become a real menace and interfere seriously with the prompt resumption of home building when the war ends.

"Every banking and lending organization in the country should give earnest attention to placing the brakes on this trend. It is not sufficient to pass resolutions about it or to issue warnings to the reckless."

We give below Mr. Fahey's address in full:

It is a pleasure to meet again with the members of this League, who represent such an important influence in providing homes for the people of our country. In spite of present-day necessary limitations on travel it is nevertheless wise for those charged with the responsibilities of restoring normal conditions promptly after this war to meet and plan to deal effectively with the problems which are sure to arise.

It is especially important that serious attention should be given to these questions now in view of the successes of recent months and the fact that complete victory is now assured. It is, however, dangerous for us to assume that the end of the war is at hand and that it will within a few months culminate in the unconditional surrender of our foes. No one can say, of course, that there will not be an unexpected collapse in Europe, but those who are best informed do not anticipate it and we must be prepared for the shocks which will inevitably come as the conflict is intensified.

As you are aware, the assumption of those who are best equipped to judge, is that Germany and her satellites will be the first to accept the complete defeat which they now know is inevitable. There is every reason to believe that Japan will continue its murderous campaign despite German surrender and the growing realization of Japan's leaders that the tide has turned and will surely engulf her.

If the war campaign follows this pattern, more time will probably be available to us in the United States to gradually convert our industries from 70% of war production to the needs of peace. Under such circumstances we can begin earlier to meet the shortages of domestic essentials and will be in a better position to help in the reconstruction of the lands liberated from the enemy.

If, however, the war is prolonged beyond our expectations, it is clear that we will have a somewhat different and more difficult set of conditions to deal with. We were forced into this war unprepared notwithstanding the warnings of the far-sighted few among our leaders who well understood the menacing significance of what was developing in Europe and in the Orient. Our lack of preparedness will needlessly cost us the lives of thousands of our best young men and leave us with a debt such as no one ever imagined would be imposed upon any nation. If we really had understood the extent to which we were involved in world affairs, if our intelligence had equalled our equanimity and self-sufficiency, the people of the United States would not today be confronted with the problems they must meet at the end of this appalling tragedy. We must not commit the same blunder again by permitting over-confidence to lead us into the error of thinking that somehow everything will be all right with us again when peace returns irrespective of our neglect to plan for the readjustments that are necessary to our stability and progress.

It is imperative that we should think seriously and persistently of the problems that are certain to arise in the post-war period. We should take advantage of every opportunity for an exchange of ideas with those who are thoughtful, dispassionate in their approach, and anxious to serve not merely their own interests but the interests of all. It is essential for us to plan and replan, if we are to be equal to the tasks ahead of us. There never was a time when we needed to assemble and study more facts—facts developed not alone from a critical examination of figures but from an open-minded consideration of experience.

Following one of the wildest and most senseless business and financial "joy-rides" in which any country ever indulged and its logical smashup in an unprecedented depression, practically every type of enterprise in the nation has seen radical changes. In no business have such changes been more conspicuous than in mortgage lending. Nothing is more important in contemplating the work of the post-war years than that mortgage lending institutions should recognize the far-reaching character of these changes or fail to remember the incidents which influenced them. There would have been no mortgage panic in the '30s but for the unsound lending which prevailed in the country from 1922 to 1929. It is true that unwise extension of credit in other directions, which was so largely responsible for the collapse of 1929, would have generated widespread unemployment and caused mortgage difficulties. These latter troubles, however, would not have been so serious and would not have contributed to such an extent to the general business debacle if it had not been for inflationary mortgage lending.

The collapse of a mortgage lending structure built upon a shaky foundation would of itself have caused widespread trouble. The combination of wildcat speculation and over-extended commercial, farm and mortgage credit created a situation which the Government—and only the Government—had the power to deal with successfully.

The most significant thing which developed out of the aid which the Government was obliged to extend in order to preserve and restore the nation's business, was demonstration of the fact that a little longer time to pay is the answer to many debt problems when credit difficulties arise. In the mortgage field, as you know, the savings and loan associations of this country for generations led the way in giving people a chance to acquire their own homes through the medium of long-time amortized loans. The 12-year amortized loan was the prevailing type among your savings and loan associations and it made home ownership in this country possible at reasonable cost to millions of people who could not otherwise have enjoyed its advantages.

The mortgage crisis disclosed to our people, as it had never been apparent before, the weakness of the so-called "straight loan" on which interest only was expected and seldom a reduction of principal. As you know, these loans were usually surmounted by second mortgages and sometimes third liens at intolerable rates for both. This method of making mortgage loans was and is a positive deterrent to home ownership and an imposition on American citizens who are entitled to a fairer opportunity to own their own homes.

As you know, the Howe Owners' Loan Corporation, created by the Government, was called upon not only to save homes from foreclosure, but to save many thousands of institutions from bankruptcy. Congress, in fixing the terms of the HOLC loans went beyond anything previously known in this country. It allowed borrowers 15 years to repay their obligations at a flat rate of 5% and free from any charges for placing such loans on the books. HOLC was authorized to loan up to 80% of fair value—a valuation which could only be estimated at the time, since there was practically no market. The effect of thus extending the period of amortization has certainly been important and it has had some surprising results. You will recall that the establishment of the Home Owners' Loan Corporation was followed by the legislation which brought the Federal Housing Administration into existence with provisions which extended the amortized mortgage system up to 20 years and in some cases 25 years. The purchase of homes with a down payment of 10% became common throughout the country before the outbreak of the war. Indeed private lending institutions carrying an undue proportion of real estate in many instances went so far as to accept down payments as low as 5% and even less where the credit standing of the purchaser was unquestioned. Such small payments were exceptional, however, and in many cases probably unnecessary. The changes in mortgage practice which have developed in the last decade, plainly have revolutionized mortgage lending in the United States and will influence it for many years to come. This fact must be recognized and it seems to me imperative that with

(Continued on page 2329)

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In Time Of War Let Us Prepare For Peace

Savings And Loan Official Sees Public Confused Because 4,000 Savings & Loan Organizations Operate Under One Or Another Of 157 Different Names Or Titles—Advocates Simplyfying And Streamlining Business "So That Public Will Recognize Us When They Look Us In The Face"

Gardner W. Taylor, New York City Savings and Loan Executive, told the War Conference Meeting of the United States Savings and Loan League in Chicago that "if the businesses and industries of this country are to be run by private enterprise, we must do a big job, a thorough job." Mr. Taylor is Chairman of a group of 35 savings and loan executives who compose the Post-war Savings and Loan Program Committee of the League. A goodly portion of Mr. Taylor's address was given over to discussing the need for simplifying and streamlining the savings and loan business. His speech follows in full:

Gardner W. Taylor

Governor Dewey, at the "Herald Tribune" Forum in New York last month, told of a friend who asked his 12-year-old daughter, in the seventh grade, what the class was taking up this year. She said: "We are taking up post-war planning." Governor Dewey commented, "That makes it unanimous."

The smile in this little story does not mean that Gov. Dewey was not advocating post-war planning. Throughout his talk, he stressed the unqualified necessity for cooperative, coordinated, progressive planning by every citizen capable of objective thinking. "In all this picture," he declared emphatically, "government must also plan . . . its policies so as to create the conditions under which private enterprise, spurred on by the profit motive, will plunge into peace-time production with all the energy and effectiveness that it has devoted to war. That means government must not only plan the things it should do, but most particularly the things it should refrain from doing."

I like that last phrase. It interests me no end! And I am sure it interests you, too. If we consider it in relation to our own business, we will agree that we should stand up and fight any effort on the part of the government to develop and consolidate tax-free housing plans for higher and higher income groups. Our best defense is a powerful offensive to resist the encroachment, the usurping of any of the functions now performed by us in the various phases of our business. But an offensive of this kind will accomplish little—indeed, it may be a boomerang—if it is made up of nothing but attack. The best way to take care of some plan that is not in the public interest is to dramatize and drive home the merits of some other plan, or some existing and sorely threatened practice, that is in the public interest. Two bodies cannot occupy the same space—if our plans are strong, if our plans are good, if we offer real service, and this is effectively publicized, there will be no necessity or room for socialized, subsidized, alphabetical entrenchments.

If the businesses and industries of this country are to be run by private enterprise, we must do a big job, a thorough job. We must recognize what our specific task is today and we must be acutely and increasingly conscious of what our obligations are to be in the post-war future. And our vision of the post-war future must be as broad as the nation. The youth of America is standing up and taking it right now. When our country at last shakes free from the steely grip of war, they will have paid their debt to humanity and to their country. What about our debt?

"IN TIMES OF PEACE PREPARE FOR WAR," runs an old axiom. Reversing it, we must say, IN TIMES OF WAR LET US PREPARE FOR PEACE. For at long last we have learned that bold and decisive action is as necessary to the attainment of the victories of peace as it is to the attainment of the victories of war. When the last gun is fired and our turn will have come to pay off our debt—then the job for which we are now preparing will be just beginning. We have a real and solemn obligation to the young men who have done the fighting. We cannot push it aside. We cannot dodge it. That obligation is to create work — "lives" for every one of them. In the meanwhile, we can do many things: give blood to The Red Cross, put money and more money into War Bonds — until our pocketbooks ache—continue to do our part in the production of war materials, at high speed, and to give of ourselves by planning and building for the future progress of the nation so that we shall fulfill our part in seeing that these men do not return to find themselves tossed into the midst of an uncontrollable chaos.

Because of our relation to the construction industry, that obligation is peculiarly ours,—savings and loaners are obviously in a key position to create quickly a demand for labor by being ready to sponsor and press for the construction of new homes. The savings and loan business is probably in a better position to shorten the gap between war production and re-organized peace production than is any other business. We must "ready" ourselves to play a proper and an important role in shaping the things to come. Acceptance of the challenge of these obligations presents us with the opportunity for expansive service to a degree not possible heretofore.

It is a truism that "NOTHING IN PROGRESSION CAN REST UPON ITS ORIGINAL PLAN." Without departing from our sound traditions, without diminishing our respect for the venerable character of our institutions, (the result of one hundred odd years of sound building) we can still attune ourselves to the spirit and meet the inexorable demands of a modern and changing world. Let us bury our antiquities and take as our watchwords, PROGRESSION, UNIFICATION, AND SIMPLIFICATION. The progress of the savings and loan business and its adjustments to the new tempo of this day and age; our preparedness to handle and operate quickly and soundly under new conditions cannot result from the work of this committee or any other committee of the United States League. This progress will be stopped in its tracks unless it is backed up by the unified effort of the individual managers and operators all over the country. Since we must all be aware of the necessity for post-war planning, no one individual can afford not to do his part. Each of us must give careful consideration to the social and economic perplexities of the post-war future and bombard this committee and the League officers with suggestions and criticisms.

Right now, individual managers all over the country are constantly planning for the future, constantly projecting more varied operating policies to meet local conditions and local needs. But as we look at our business as a whole, I think it is only fair to say that the complexities, the lack of unification, the odd ramifications of some of the services we render the public make it difficult for the potential saver or borrower to understand **what** we are and **what** we are doing. How many understand our varied savings plan. How many know how our complex mortgage plans work. Is it strange then that there should be confusion in the public mind when there are some 4,000 organizations in the United States, all more or less alike, operating under one or another of 157 different names or titles. Let us simplify, let us streamline our business so that the public will recognize us when they look us in the face. This recognition could be initiated by moving toward a uniformity of operation, by having fewer and identical savings plans, definite nationally-adopted mortgage plans. The first step might well be the adoption of a name or a slogan that could be generally used—one which would lead to the ready recognition of our fundamental likeness. After all—or perhaps better still, before all—while we may not be as alike as the proverbial peas in the pod, we are all chips from the same block.

Let us pause and reflect on the fact that there are some four thousand of our institutions throughout the country, with probably twelve to fifteen million members, and then realize that the weight of this thrift army is largely dissipated by the fact that we operate under 157 banners or titles. If we dwell upon this for only a moment, we will not wonder why we do not have a larger public acceptance or why only a small number identify us as one large unit in the field.

A suggestion was made recent-

(Continued on page 2330)

Erdmann Discusses Progress of Sav'gs & Loan Post-War Committee

Arthur G. Erdmann of Chicago, Vice-Chairman of the Post-War Program Committee of the United States Savings and Loan League, at the recently concluded war conference meeting of the League in Chicago went more into detail on the progress of the committee's endeavors to date, stressing especially the job of developing savings and loan standard plans of financing. The uniform standard plan of financing would vary according to the type of home loan desired: (1) a plan for the home purchaser or for home refinancing, (2) a plan for individual home construction loans, (3) a plan for property improvement loans, (4) a plan for multiple-unit financing, and (5) the operative builders financing plan.

"These suggested standard financing plans have been outlined and discussed with a number of savings and loan executives," Mr. Erdmann pointed out. "But we are anxious to obtain the suggestions of every savings and loan executive in America and of every person in our business who has views of his own and who can think of any improvement in our present methods of making loans.

"In addition to the plans just described for different types of financing, there is also a suggested plan for the progressive reduction of interest paid by the borrower; the total monthly payment of principal and interest always the same. It is considered that this adjustment of interest downward, if started at a fair base and continued downward to the best possible low rate might be substantially beneficial in many ways to both the borrower and to the association. Several associations are now testing out this plan under several variable rates."

Mr. Erdmann then reported briefly on the other undertakings of the Committee including: (1) methods of expansion of savings volume, (2) merchandising of the savings and loan business, (3) additional investment outlets, (4) additional financial services to savings and loan customers, (5) general housing, slum clearance and redevelopment programs, and (6) financing prefabricated and engineered housing.

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Senator Radcliffe Talks At Savings And Loan Conference

Stresses Devastating Effect Uncontrolled Inflation Would Have On Real Estate And Mortgage Values. Says Placing Chinese On Regular Quota Basis Not A Prelude To Opening Gates To Floods Of Immigrants.

"The payment of subsidies at its best is no more than the choice of the lesser of two evils, but I cannot escape the conclusion that subsidy payments in some cases should be made if losses to individuals are to be avoided, or if dangerous inflationary tendencies are to be curbed."

This was the statement of Senator George L. Radcliffe of Maryland, in an address before the war conference of the United States Savings and Loan League at the Palmer House in Chicago.

"You know that if inflation becomes rampant and unmanageable, the injury to real estate, to mortgage holdings, and all other interests in land are bound to be devastating."

Speaking of housing needs after the war, Senator Radcliffe said that he did not think this country would have to reckon on many new immigrants to this country.

"A few days ago I spoke on the floor of the Senate in favor of a bill which would place the Chinese on the regular quota basis. Our action was a fitting, well-merited token of our realization and appreciation of the gallant, courageous and successful defense which the Chinese have been making against the sinister and hideous efforts of the international gangsters to conquer and enslave the world. But our passage of that bill does not, most assuredly, mean that we are going, after peace comes, to open our gates wide to floods of immigrants. No obligation to humanity calls for such action. Duty to ourselves absolutely forbids it. The broad field of immigration will be considered carefully after the war and I believe such action will be taken on the entire subject as seems best designed to benefit best our National welfare."

Speaking of the returning soldier, Senator Radcliffe said:

"If the United States Government furnishes a returning soldier or sailor a job and some educational facilities, will it also be asked to provide him a home, especially if there is a war bride? We have no adequate facilities for furnishing homesteads as was done to soldiers returning from certain other wars. The United States Government owns about 20% of the land in the country. How much of that land would be available for our returning soldiers? The servant problem makes smallness of houses essential for both rich and poor, what effect will this have upon values of big existing houses?

"These are only a few of the many questions with which you must grapple. Upon the wisdom of your decisions and the success of your plans depend your welfare. Much more it is true that upon what you do in this respect will depend very much indeed of the welfare of our entire welfare of our entire country."

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Wm. Green Urges Food Subsidy Continuance

William Green, President of the American Federation of Labor, urged Congress on Dec. 1 to continue and broaden the food subsidy program.

Appearing before the Senate Banking and Currency Committee in opposition to the House-approved bill barring price control subsidies after Jan. 1, Mr. Green asserted that subsidy foes intended to wreck the Administration's whole price control program. He stated:

"Individual groups seeking individual price increases have now merged forces against the entire price control program. The stampede is on to break price control. Complete and utter destruction of price stability will be the certain result of the elimination of the present subsidy program."

James B. Carey, Secretary-Treasurer of the Congress of Industrial Organizations, also testified before the Committee on Dec. 1 in defense of food subsidies.

Regarding Mr. Green's testimony, Associated Press Washington advices said:

Mr. Green placed the cost of subsidies this year at $925,000,000 and estimated consumer savings —through avoidance of price increases—at $2,373,000,000.

"If subsidies are outlawed, food prices will double within three months and treble in six months," he predicted. "This the American people do not want and will not stand."

Expressing the belief that the present subsidy program had been largely effective, he said Congress should broaden the plan by giving the President and the price control agencies a direct authorization to pay subsidies.

Up to now, he said, "Congress has taken no affirmative, positive action on any program assuring stability of commodity prices, while permitting the use of subsidies through the limited and inadequate channels it left open to the executive branch."

Principles Of Wilson Advocated By Willkie

Wendell Willkie, in Dallas Texas, on Nov. 26 said that the nation must return to the principles of Woodrow Wilson to avoid control by "overcentralized government" according to a United Press dispatch from Dallas on Nov. 27, which added:

Mr. Willkie said "The many regulatory laws which Wilson advanced sought to control forces in our economic life which would enslave men, not to regiment men's lives as so many laws do today."

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Bodfish Urges End Of Government Control And Sound Tax Policy

Executive Vice-President Of Savings And Loan League Views Plans Of Some Planners As Equivalent To Putting Hobbling Ring On Private Enterprise — Sees Greatest Aggregation Of Capital Seeking Investment In Home Mortgages The Country Has Ever Seen After The War.

Universal employment in the United States after the war with private enterprise doing 95% of the job of employing was envisioned by Morton Bodfish, Chicago, executive vice-president of the United States Savings and Loan League, speaking before the war conference of the League at the Palmer House in Chicago.

Morton Bodfish

"One thing upon which social, business Governmental America has agreed, regardless of party or economic theory, is that every man who is willing to work will have a job, if it takes every cent we have in the Treasury to do it," said Mr. Bodfish. "Actually I think private enterprise can do it if it is given a real opportunity in the tax policies and in relaxation of Government controls.

"Some of our planners have already planned the next depression to take place immediately after the war, but I can't see how it can happen unless a hobbling-ring is put on private enterprise."

Mr. Bodfish said, however, that he felt the general policy of Government is changing with regard to business and enterprise and that the opportunity will be given to progressive business men to show what they can do.

"The implications of universal employment have to be studied in our planning," he continued. "It means a whole redistribution of the purchasing power of the nation. A whole group of people will be able to save who have never saved before. A whole group will be able to buy or rent small homes which has never been able to do so before. Then the whole sphere of the need for public relief will undergo changes. As to public housing, let us remember that the thing which makes slums is not that real estate deteriorates but that some people do not have incomes sufficient to pay for decent housing. The determination to have universal employment has therefore a direct bearing on public housing programs.

Mr. Bodfish said that there will be the most tremendous agregation of capital seeking investment in home mortgages after the war that the country has probably ever seen and that the implications of this circumstance on the cost of mortgage money are obvious in the light of the experience of older countries with larger accumulations of capital. As the volume of capital increases, its cost decreases, he emphasized.

"Lots of planning for the postwar period is being done at community levels," he continued. "It is too easy to ridicule commissions and organizations on a local level, when as a matter of fact they can be a tremendous influence, studying how America lives, and what kind of homes it has. With such information more carefully studied many of our impractical housing experiments will cease"

James C. Downs, Jr. Avers We Live In A Society Based On Default

Holds Story Of American Progress Is Tied In With System Of Borrowing Money In A Period Of Prosperity And Frequently Finding Ourselves Unable To Pay. With Each Depression Says Wage Level Falls to Lesser Degree Than Previous Depression So That History Of Money In This Country Is that Of The Ever Decreasing Purchasing Power Of The Dollar.

Just as the velocity of human living is increasing, so will be the continuation of the curve of the ever decreasing value of the dollar, James C. Downs, Jr., Chicago, told the war conference of the United States Savings and Loan League while pointing out that "we live in a society based on default."

He said that the story of American progress is tied in with the system of borrowing money in a period of prosperity and frequently finding ourselves unable to pay it back in a depression.

Mr. Downs said that with each depression, when the wage level falls, it falls to a lesser degree than it fell in the previous depression, so that the history of money in this country is that of the ever-decreasing purchasing power of the dollar.

Speaking of the kind of house which the returning American soldier will want, he said that it will be "a custom-built American house costing from $6,000 to $8.000."

"More people will want and will get more things after this war than at any period in the history of the world," he said.

"I think we have gotten over our fears about 'isms' and what is going to happen in America. We can relax in the assurance that America is a pretty conservative place to live, in the good sense of the word. Women are the basis of our business system. When the men come back from war they are going to do pretty much what the women who have been waiting for them want them to do, and women are both courageous and conservative"

Mr. Downs said that his layman's opinion of why the Congress didn't pass the $11,000,000,000 tax measure asked by the Administration was that it would involve greater taxation than any people has ever endured in the world, and it was a symptom of a tax revolt among the people. Thus, he concluded, the only way that the great indebtdeness of the country can be paid back is by a low purchasing power of the dollar.

Savings and Loan Institutions Have Best Liquidity Position In Their History

The highest liquidity position, including both cash and government securities, which cooperative banks and savings and loan associations have ever shown was reported to the war conference of the United States Savings and Loan League by H. F. Cellarius, Cincinnati, Secretary-Treasurer. Revealing total statistics of the business as of the close of 1942, for the first time that these have been made available, the veteran League official said that the tide of the business for the course of the war was set in 1942.

H. F. Cellarius

The institutions entered this year with total assets of $6,139,036,211, a gain of 1.5% over the year before, maintaining for the fourth successive year the upward trend of assets, he said.

"Practically all of the statistics reflect the slowly increasing inflationary trend in the economy," said Mr. Cellarius. "More and more money in the hands of the people, greater ability to set some of their earnings aside as savings, less need to borrow money, greater desire to own real estate as a hedge against the decreasing value of the dollar, all these conditions can be read between the lines as we look at the consolidated balance sheets of our institutions 13 months after Pearl Harbor. Most of these trends have been accentuated, rather than to any degreed counteracted, in the first ten months of 1943.

"Ohio continues to be the leading state in the nation in volume of assets in thrift and home financing institutions, having reached $942,469,168 at the close of last year, Massachusetts is in second place with $534,409,747, and New York third, with $488,084,097. Gains of more than $10,000,000 were made in four states last year, Ohio, Indiana, California and New York.

"Because the increase in mortgage loan investments by savings and loan associations and cooperative banks was only $5,223,131 for the year, the percentage of total assets invested in mortgages swung downward in 1942 for the first time in six years. We closed 1942 with 78.2% of assets in mortgage loans. The low margin of increase in dollar volume was partly due to stepped up repayments of loans ahead of schedule as well as to some decrease in the volume of new loans made, reflecting the restrictions on construction of new houses.

"By and large, the savings and loan and cooperative banking system has managed to keep its head clearly above water during the war, to do its part in financing the gigantic expenditures of the nation in the global conflict, and to turn those of its resources which were conveniently situated, to the solution of the war housing problem."

Reestablish Federal Home Loan Bank Board

Among other resolutions one asking for the re-establishment of the Federal Home Loan Bank Board and for the transfer of the functions of the Federal Home Loan Bank Administration from the National Housing Agency to this Board, was passed by the war conference of the United States Savings and Loan League at the Palmer House in Chicago. The five-man Federal Home Loan Bank Board which administers the Federal Home Loan Bank system, and the Federal Savings and Loan Insurance Corporation, was abolished by executive order in February, 1942, for the duration of the war and its functions placed in an operating unit under the temporary super-agency known as the National Housing Agency. The savings and loan executives held that plans for the permanent existence of the super-agency are now evident and that the instrumentalities under the former Federal Home Loan Bank Board have no place at all in the housing agency set-up.

The statement presented by the resolution committee and adopted by the conference reads in part:

"The people of our country must decide whether housing is to be an activity of private industry and private capital, or whether it is to be turned over to state socialism.

"A favorite device of the bureaucratic planners for outflanking the fundamental opposition of private citizens and business men who believe in the importance of the free enterprise system is to create a temporary agency to meet what are termed emergency needs. Then from such a temporary bureau, and at taxpayers' expense, there flows a stream of propaganda urging Congress and the public, to make its activities a permanent department of government.

"The savings and loan associations of the country have confidence in the Federal Home Loan Bank system and in its official personnel. They wish to have its operations continued in conformity with the law—as an independent agency. It is a financial unit, as its members are financial institutions. Because its member institutions extend home mortgage credits is no more reason for placing the Federal Home Loan Bank system in the National Housing Agency than there is cause to place the Federal Reserve system in the Department of Agriculture because its member institutions make loans to farmers.

"Just as the very tenets of state socialism are diametrically opposed to the principles fostered and encouraged by the savings and loan associations, so do the customers of these associations constitute a group of peple who, by every instinct, tradition and self-interest, may be expected to prefer the free enterprise system and to assume that such institutions are aggressively seeking to maintain it as the American way of life. Unless the trend to state socialism is to engulf the housing field, then, it becomes essential not only that savings and loan associations be permitted to operate as an independent business, but that their supervisory and central credit sources be equally independent of objectives or controls emanating from hostile or unfriendly motives."

John H. Fahey Warns Of Unsound Boom In Real Estate Prices

(Continued from page 2326)

the very general acceptance of the long-term amortized mortgage we should not neglect to provide the obviously necessary safeguards which should surround it. This is especially important when we contemplate the enormous increase in savings.

When we make a loan on a house which will run for 20 years, we need to exercise very real caution. Few of us are blessed with the judgment to anticipate the developments of two decades, in a rapidly changing world. Go back to a city or town with which you were intimately familiar 25 years ago and observe the changes that have taken place in most of its homes and neighborhoods as well as its business sections, and you will realize what may happen to affect the value of home property within the life of a 20-year mortgage.

Is it not obvious that if the long term amortized mortgage is to prove itself beyond controversy in the years ahead of us—and in my judgment it will—it must be subjected to a variety of careful tests of value. Present-day credit status of the borrower is not enough, nor the location or supposed cost of the property. Certainly such appraisals as have so long been tolerated in many parts of this country cannot be regarded as a dependable basis for long-term mortgage lending.

In that connection may I say that I know of no feature of mortgage practice which can enlist the attention of the lending institutions of this country to greater advantage than a thorough overhauling of our appraisal system. Because right now in every direction institutions of all classes are making inflated loans based almost entirely on temporary market conditions and exaggerated appraisals, we are developing a situation which can easily become a real menace and interfere seriously with the prompt resumption of home building when this tragic war ends.

Because of the facts which come to our attention from day to day, in the Federal Home Loan Bank Administration we are forced to recognize the fact that threatening practices of the kind to which I refer are developing rapidly and assuming proportions which demand attention. Every banker, business man, and professional man of common sense well knows that if things get out of hand in this country under present conditions and we experience inflation in any degree, comparable to that inflicted upon some of the European countries as a result of World War I, we will fail miserably in our attempts to provide for the people of this country such a standard of living as they have a right to expect. There are few businesses of any kind which will represent much of a future to those now engaged in them if in the years ahead the economic machine gets out of control and goes into an inflationary tail-spin. During the decade immediately after World War I, I had the opportunity to observe each year in the countries of Europe most affected, the tragic results of extreme inflation. I am sure there are men in this audience who had the same experience and I am equally sure they will all agree that no more evil thing could come to our country except nation-wide pestilence or war itself.

Thus far we have been fairly successful in curbing the evils of real inflation. In World War I, from July, 1914, to July, 1918, the cost of living in the United States rose 50.3%. From August, 1939, to August, 1943, it rose but half that figure, or 25.2%. The wholesale price index, including all commodities other than farm products and foods in the last war, rose 96.1%. For the comparable period in this war, the increase has been held to 37.5%. While in World War I, as an illustration, the price of steel plates increased over 187%, thus far those prices have shown no advances since August, 1939.

While these figures, which are dependable and lately verified by one of the country's leading bankers, are encouraging, we certainly ought to understand the difficulties we will confront if they begin to baloon or if any other important legment of the American economy goes "hay-wire."

As you know, under the powers delegated to the Federal Reserve Board, loans against securities are limited to 60% of their market value and the Board has the power to increase that margin. Consumer credit is strictly regulated, as you know, and all bank loans up to $1,500 are granted only upon a statement of purpose which shows a legitimate need. Such loans must be paid in twelve months. For installment purchases of articles listed in the Board's regulations, down payments of 20% to 33⅓% are required and these payments mupst be made from the purchaser's own funds. On the other hand, while ceilings have been fixed on rents, and they represent a restraining influence on real estate prices, the fact is that real estate as a whole is the only important kind of property, which has always invited speculation, where adequate checks have not yet been established.

Secretary of Agriculture Wickard has repeatedly warned of the dangers inherent in the farm land boom which has already reached alarming heights. Only ten days ago, addressing the National Association of Real Estate Boards, he pointed out that the prices of farm lands have already been hoisted at about the same rate as in the last war and are increasing from month to month. Some people re-

(Continued on page 2331)

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In Time Of War Let Us Prepare For Peace

(Continued from page 2327)

ly that regardless of what our legal monickers might be, we speak of ourselves — in releasing publicity — as SAVINGS ASSOCIATIONS. This is only one phrase, or suggestion, that might be used, (there well may be better thoughts among us) but what a tremendous step toward having the public mind conceive of our business as a unit, if these two words "SAVINGS ASSOCIATIONS" or some other equally descriptive phrase were used **all** of the time by all of us. If such a name or phrase were publicized, we would make a real impact on the public consciousness, not locally as individual units, but as a large integral chunk of the nation's financial structure — a six billion dollar chunk. We have most of the ingredients but what we need is the cohesive cement to mold ourselves into a recognizable keystone, in the savings and mortgage financing structure of the nation.

I have been purposely general up to this point to show the direction that the thought the post-war program committee is taking, and to show the need of and reason for our existence as a committee. The report that is being made to you today is a progress report. It is divided into two sections. The first—being submitted for the committee by myself as chairman—is simply a broad outline of the scope, the direction we are taking, and an expression of our need for the membership's fullest cooperation. Again let me say that we seek suggestions and constructive criticisms.

The second section, our Vice-Chairman, Mr. Arthur Erdmann, will cover dwelling with more detail upon our accomplishments to date.

My sincere thanks go out to the many who have already made constructive suggestions and have sent to the committee material representing objective thinking and planning. Through their aid, we have before us a plethora of material. Combined with the background stuff, garnered from the Chamber of Commerce, economic groups, socialistic propagandists, commentators, columnists, yes even politicians, we have on hand what adds up to a considerable conglemerate mountain of ideas. Our endeavor has been to screen, to subtract, to add, and to orient all ideas that are applicable to our own plans as part of our post-war program. We have analyzed to the limit of our ability all of the subject matter and suggestions bearing upon all phases of the savings and loan business, past, present and **future**—accentuating and underscoring **the future.** We are endeavoring to be rational and sound. In our search for the solutions to the problems we believe will confront us after the war, we are trying to have vision without being visionary. We are aware that there can be no single solution. All phases of our present operations and policies and restrictions are being given analytical study and a general ventilation. In our deliberations, we came to a natural division of the program work into seven component parts among the members of the committee — their conclusions to be brought back, surveyed, re-organized and then sent along to the membership-at-large through submission to the Executive Council. These seven divisions were given titles which point in each case to the phase to which they particularly apply.

It was proposed that the first sub-division develop savings and loan standard plans of new home-financing.

That the second submit to the committee as a whole methods of expansion of our savings volume.

That the third point the way to additional investing outlets other than first mortgages.

That the fourth work upon additional financial services to savings and loan customers.

That the fifth make suggestions for our participation in general housing, slum clearance and redevelopment programs.

That the sixth determine ways and means of merchandising the savings and loan business.

That the seventh ascertain where and how savings and loaners are to fit into the financing of the much publicized pre-fabricated housing.

It is not necessary here to take time to tell too much of what we thought, what we discussed, what we accepted and what we discarded in our committee meetings, but we can well review some of the things which seem to us to constitute threats to the progressive growth of our institutions.

How deep will the social-minded in government have their fingers in the private enterprise pie? What will be our competition for mortgage loans, for savings accounts, and whence will it come? Will postal savings grow? Will public housers perpetuate themselves? Will an already successful FHA continue, and perhaps, eventually let down the bars so that anyone can invest in an FHA insured mortgage and have the benefit of insurance on his investment?

Will all sorts of social security plans — sponsored by State and National Government — multiply and expand until by taking more and still more out of each citizen's pay envelope, they will indeed be finally nothing less than governmental compulsory savings plans, and thus drive the incentive for thrift out of the average American's mind?

Can we conceive a better mortgage plan? Can we lead as **savings** institutions? Can we lead in individual enterprise and thus eliminate most of the threat of government in business? Are we prepared to take advantage of our potentialities? Do we realize that savings and loan associations are the only type of business, with a country-wide coverage, which could if co-ordinated constitute a real national savings system? What should we do about this?

These are some of the questions before this committee and before all of us. In progressing and endeavoring to reach conclusions on these problems, your committee has temporarily laid aside any thought of the restrictive boundary lines encompassing us through legislative control, because we feel that our first objective is to definitely find out what we may ultimately want and need in the way of enabling legislation. This aspect of the work can be developed through our League's legislative committee. In the meanwhile, we are advising with our supervisory agencies and keeping them informed of what we are doing.

May it be stated again that this is a progress report and our work will be submitted, in sections, to the Executive Council and through them to you. And all of the subject matter will be wide open for the membership's further suggestions and criticism.

I cannot close this report without expressing on behalf of the committee as a whole our appreciation of the cooperation of the staff of the United States League, and the various United States League committees, whose members have given so much time and thought to the work that we are doing. Because of the breadth and scope of our committee's work, I thought at first that we might be crossing wires and overlapping. It speaks volumes for the caliber of the men in our business that from all sides we have had extended to us a friendly helping hand from the entire League—its officers, committees, and the membership at large.

Neither can I resist commending the committee for the spirit of enthusiasm with which its members accepted their assignment—an enthusiasm that has remained unabated through all their splendid work. There is an old saying — "ENTHUSIASM IS THE GREATEST ASSET IN THE WORLD. IT BEATS MONEY AND POWER AND INFLUENCE. IT IS NOTHING MORE OR LESS THAN FAITH IN ACTION." ENTHUSIASM — FAITH IN ACTION, if it spreads through all our membership, will guarantee our PROGRESS.

Post-War Need Is For More Plans By Industry And Less By Government: Willmore

"Our great need in this country, and it is beginning to manifest itself, is a revival of local initiative in Government," Cyrus Crane Willmore, St. Louis, told the war conference of the United States Savings and Loan League at the Palmer House in Chicago. "As Federal Government has expanded there has been a weakening of local administration with increasing local dependence upon Washington."

Mr. Willmore is President of the National Association of Real Estate Boards.

"Sound local planning for post-war is most important, but what we need are more plans by industry and less by Government. If municipalities, counties and states continue to plan to go to Washington to get the money to carry out their plans, then private enterprise is doomed.

"We will have to fight those who think we cannot survive unless we surrender to bureaucrats. Those who give up their liberty in order to procure security will find that they have lost both their liberty and their security.

"Under the USHA many so-called slum clearance projects were built. But some of the projects did not clear slums. They were built at the city's edge in open spaces where they did not tear down a barn to build them. Certainly that was not slum clearance but a fraud on the American people. I have not been able, in looking at permanent public housing projects from one end of the country to the other, to find one project in the United States where as many as 10% of the families who formerly lived in the area moved into the new project. Most of the public housing projects pay small service charges in lieu of taxes, about one-sixth to one-tenth of what you would pay if you owned the property.

"The public housing projects are planned to stand for at least 50 years. Are these people to be subsidized for 50 years? That is two generations. Are the second generation to be born in a subsidized world? Public housing does not mean social gains. It is a cancerous growth and unless stopped it will develop into a running sore that will destroy our home ownership. Home ownership cannot survive, one-half taxed and the other half tax free."

The Effect Of War On Business Financing: Manufacturing And Trade, World War I

American business faces a period of high-level activity in the post-war period, if experience after World War I is any guide, according to a study of the effect of World War I on business financing just completed by the National Bureau of Economic Research.

Factors which, according to World War I experience, are likely to promote a strong financial expansion of business include deferred consumer demand being built up by scarcity of goods, wartime savings, and rationing; new business ventures, particularly in fields whose development was delayed by the outbreak of war; and demands from world markets for American goods.

However, business history during the period of World War I and the post-war years of the early twenties, as traced in the National Bureau's study, makes all too evident the possibility that American business may confront a serious problem of restoring balance in its financial structure before many post-war years have passed.

War and Post-War Booms

When the first World War broke out, in the summer of 1914, American business was combatting mild recession. The shock of war at first increased the negative tone of trade but a boom soon made itself felt. The war story is one of rapid growth in business activity, in business assets, in short-term debt, in inventories, in forward buying, and in profits. In other words, the country financed a private business and speculative boom while the war was in progress.

Business developments in 1919-20 after the war were featured by an outburst of consumer spending, expansion of new business projects, growth of short-term debt for working capital, rapid increase in bank deposits, commodity price inflation, the rise in book value of inventory, and inadequate inventory reserves. The period was one of substantial buying power, world demands for goods, easy credits, ready availability of capital markets, and over-optimism that led to many excesses. Up to 1918, financial expansion of business conformed to fairly conservative standards, but in the post-war years business assets deteriorated in quality as they increased in quantity.

Post-War Financial Collapse

Prices fell sharply over the last seven months of 1920 and the first half of 1921. Business commitments were imperiled. Cancellation orders flooded sales managers.

The reduction in the book value of inventory that resulted from sales and write-downs in the single year 1921 was almost as severe as the three-year liquidation of 1930-32. Inventory write-downs of 64 large concerns totaled $344,000,000 in 1920-22. The fact that the bulk of the swollen dollar inventory holdings had been financed by short-term debt proved a serious factor.

If there is any lesson in the 1921 collapse for American business leaders today, the National Bureau declares, it takes this form: the crisis could hardly have been avoided by makeshift policies of business, banking and government conceived and applied at the last moment. Nothing except a different set of post-war business expectations, a less ambitious scale of business expansion, and stricter adherence to older standards of

(Continued on page 2333)

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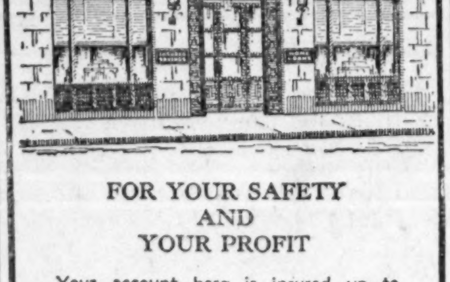
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John H. Fahey Warns Of Unsound Boom In Real Estate Prices

(Continued from page 2329)

member what that led to. Those who are not familiar with the facts should read the record.

It is very evident that the prices of urban homes are moving up with almost equal rapidity and the trend is as serious as that of farm land prices. In too many sections war workers are being sold houses which they are almost certain to abandon after the war, at prices far out of line with real values. Many cases are developing where a worker goes from his former employment into a war industry center remote from his home and leaves his family behind. After a time, anxious to have the family with him and unable because of the housing shortage to rent anything acceptable, he is ready to buy even at an excessive price. He is not disturbed about the price because of higher wages than he ever before enjoyed and the ability to buy with a limited down payment and long-time amortized mortgage financing which really represents but little more than rent. While it is true that some of these workers may remain in the communities where they now have war jobs, let us remember that about 3,000,000 workers have moved from their former homes to engage in such work, a migration never equalled before in this country.

Undoubtedly there will be certain shifts in the location of industries in the post-war period, but those who believe that a large proportion of the workers now employed on war contracts, remote from their former homes, will remain where they are now, are just fooling themselves, in my opinion.

I am most interested to hear from one city after another where war work has brought a substantial, sometimes sensational, increase in population, that a large part of it is going to remain, that things have changed for that city and it is on the way to permanent and greater growth. All this is not only reminiscent of 1922 to 1928 but of every land boom and housing boom encouraged by unsound lending and excessive prices, for many decades.

A good many of the Home Owners' Loan Corporation loans which have been paid in full, particularly in the last year, have been the result of sales by Corporation borrowers. It is interesting to observe the inflation of values which has taken place in connection with such sales.

Other HOLC loans have been paid in full as a result of money advanced by institutions anxious to get loans which now represent little risk although previously badly in default. The extent to which some of these refinanced loans have been increased all out of proportion to reasonable figures is also rather disconcerting. Such lending is plainly inflationary.

During the period when people should be encouraged to reduce their debts it is certainly not in their interest, in the interest of business, or in the public interest, to lend them more money and increase the great volume of dangerous cash which is already loose in the land.

There may sometimes be good reasons, which are not apparent on the surface, for lending more money on a home than seems justifiable. This can hardly be true, however, when loans of this sort are being made in all sections of the country. The figures on 1,186 loans made in connection with sales by HOLC borrowers during the last three months are certainly disturbing as an indication of present trends. The new mortgages made were $1,793,723 in excess of the HOLC loan balances on the properties, an average increase of over $1,500 a property or 78% more than the HOLC balance at pay-off. Moreover, they were 104.2% of the original HOLC loans on these properties, which, let us remember, included delinquent principal and interest and usually overdue taxes, insurance and repairs. The houses on which these new loans were placed averaged over 22 years old.

These inflationary loans were not confined to any one section of the country. They were made in more than half our States and have been spreading from month to month. They were made by all classes of mortgage lenders, commercial banks, savings and loan associations, mutual savings banks, insurance companies and private mortgage concerns.

I submit that this trend is something to which not only this organization, but every other banking organization in the country should give its earnest attention. I do not think it is sufficient to pass resolutions about it. Warnings will not, in my opinion, restrict the activities of reckless lenders whose practices, if persisted in, eventually react in greater or lesser degree upon the entire business. I think organizations like this should address themselves vigorously to the problems involved and suggest methods of forestalling the troubles which are almost certain to develop unless preventive measures are applied promptly. It is particularly important, in my opinion, that the savings and loan associations of the country should be in the front rank in exercising every possible influence to put the brakes on inflationary mortgages.

From 1930 to 1939 the savings and loan associations of the United States suffered a decline in assets of $3,750,000,000, a larger amount than any other class of lending institutions. The remarkable gains which have been made since 1939 are certainly a tribute to your associations, and it is important that after this fine record of recovery by most of the associations they should not experience another setback or impairment of public confidence as a result of the activities of lenders who neglect to exercise discretion in an uncertain period.

My reference to recent inflationary loans made in connection with the sale of properties by HOLC borrowers prompts me to bring to your attention certain facts concernings HOLC problems with which I believe you should be familiar. They relate particularly to various proposals for accelerating the liquidation of HOLC. I think it is my duty to present them to you in your own interest as well as the public interest because of the public responsibility of your institutions which I know you recognize.

It has been suggested that this is a controversial subject. It should not be and it certainly is not so far as I am concerned. If, without causing losses to the Government, which could not be defended, and injustices to borrowers, the loans and properties of HOLC could be transferred readily to private hands and the operation of the Corporation terminated in the near future, I would recommend such a policy emphatically.

It is easy enough to talk about it, however, but it is something else to develop a plan which will stand the test of sound business and will not represent exploitation of valuable assets which belong to all the pepole of the United States.

The problem has long been subjected to discussions and study and is now under careful reexamination. I do not say a satisfactory solution cannot be found or may not develop presently. I do not hesitate to assert, however, that there are complications involved which are not realized by those who are under the impression that Home Owners' Loan Corporation can be closed out in a comparatively short time with advantage to the Government, private lenders and the public, and no unfairness to HOLC borrowers.

If all HOLC loans and remaining properties could be turned over for cash at a given date to responsible institutions without grave sacrifices by the Government, that would be one thing, but to sell off merely the "good" loans is quite a different matter.

The sale of loans which have been carried along at great expense and finally made good, although hopelessly defaulted when taken over by the Government, while leaving it with the still slow, small and widely-scattered accounts, which are coming through all right but require time and attention, simply does not make sense. Such a plan means that the Government would be deprived of the income on loans which, after many adjustments, have finally been placed on a sound basis at a cost of tens of millions of dollars and would still be obliged to maintain a nationwide organization to serve the slower loans.

The result would be, of course, that lacking the interest revenue from the "good" loans HOLC would have to resort to the Treasury for money to cover its operating expenses. That would involve greatly increased losses and necessarily add a large sum to the Government debt.

Every executive connected with a responsible financial institution knows, or certainly should know, that the taxes which must be imposed to carry and reduce our extraordinary war debt represents one of our greatest, if not the greatest, American post-war problem. Such officials who serve as trustees of the savings of millions of people must be fully aware of the fact that to an expert hitherto unknown in our country, that taxation will be levied, directly and indirectly, on the masses of our people who constitute these savers. Banks and mortgage-lending institutions clearly should be the last to adopt policies which unnecessarily increase the Government debt and prolong burdensome taxation, in order to gain a few extra dollars for themselves. No class of business men has done more to aid the war effort than the managers of our financial institutions. In the advancement of the common good there is no group more helpful or constructive, and it is difficult for me to believe that any of them who really understood the HOLC problem would campaign to take over the Corporation's "good" loans, the only ones they have a right to take, and inevitably impose upon the Government serious losses and more debt.

There has been much inaccurate publicity about HOLC liquidation. Despite all the information that has been printed from time to time, the impression exists in some directions that HOLC has not attempted to liquidate and that no plans were provided for its liquidation. It is claimed that there is an attempt to keep it in existence in order to provide jobs for some people, notwithstanding the fact that its organization has been reduced from over 21,000 emplyoees to 3,500 and its administrative expenses of $37,000,000 at the top has been cut to approximately $10,000,000. The fact that the original Home Owners' Loan Act provided in definite terms for its liquidation is generally overlooked. Congress fixed the time HOLC borrowers should have to pay off their loans and the maximum rate of interest as well as the final maturity of the Corporation's bonds. It also provided that no loan should be made after June 12, 1936, and that HOLC should then proceed to collect its loans and pay off its bonds. That liquidation is well ahead of schedule.

The Corporation made total advances of nearly $3,500,000,000. On June 30, last, the end of the fiscal year, $1,852,000,000 of its asests had been liquidated, or over 53%. This left a balance to be liquidated of $1,632,000,000. $1,440,000,000 was represented by loan balances and $191,000,000 by the capital value of properties on hand. The Corporation had taken over, as a result of deaths, abandonments, foreclosures, etc., 195,643 properties and had sold 170,652 houses, or 87.2%. The book value of these properties included interest accumulations, taxes, repairs and foreclosure costs. The losses on the properties to June 30 were offset by interest, rent and other income to a total of $189,000,000, leaving a net deficit at the end of the fiscal year of $65,000,000.

As of the June billing dates, the Corporation's total outstanding accounts numbered 743,630. Of these nearly 140,000 were purchase money mortgages; 470,759 of the Corporation's accounts, or over 63%, had outstanding balances of less than $2,000 and but 75,000 of them, or only about 10%, had balances in excess of $4,000.

Over 80,000 of HOLC accounts were between $250 and $500 last June. Now they are smaller still. 222,000 of them were less than $1,000.

More defaulted loans were taken over by HOLC from individual mortgages than from any class of institutions. Many of these were in the smaller and more remote communities, and for smaller amounts. The extent to which HOLC loans are scattered over this country in small towns and even villages is little understood. There are thousands of them in communities where there are no banks or lending institutions of any type and a great many outside the operating areas of the lending institutions.

The HOLC accounts as of June 30 were distributed in every county in the United States, except a very few, and in 19,047 communities. Of this number 5,815 communities had but one loan, 2,637 had only two loans and 1,588 had but three loans. Out of the 19,047 communities there were 14,266 places, or about 75% of the total number which had less than 10 loans. They represented a total of 37,700 separate loans and over 10,000 of them ranged between $250 and $500. Over 11,000 more in these smaller communities had balances of but $500 to $1,000. It is true, of course, that some of these scattered communities are within the lending areas of cities, but we must remember that this is still a country of great open spaces, and in the thinly populated areas there are hundreds of miles between these loans.

You will recall that Congress fixed a flat interest rate on all HOLC loans. This applies, of course, to the small obligations and those in the sparsely settled regions, both of which usually involve a much higher cost of servicing than in the cities where the loans are greater, and the net earnings better.

It is most encouraging that a large proportion of the HOLC accounts do not now represent serious arrearages and that so many of these borrowers have reduced handsomely the amounts they owe, as compared with their peak of indebtedness to the Corporation. This fine progress, however, does not alone determine their marketability at the present time for what they are really worth. Your long and intensive experience has taught you that many other factors have to be taken into consideration in fixing the real value of a mortgage loan.

Home Owners' Loan Corporation started its liquidation program in 1936 with 625,000 accounts in arrears, in spite of the three-year moratorium on principal payments which Congress allowed. At that time a large proportion of these borrowers were seriously in default and over 165,000 of them were behind more than a year on their payments. By 1937 over 380,000 of these accounts had been improved to the point where they were being paid on schedule, or nearly so, but by 1938 this number dropped to 360,000, and large numbers were heading toward foreclosure. Disturbed over this prospect and what it meant in additional losses to the Government, the Congress in 1939 passed the Mead-Barry Act and directed Home Owners' Loan Corporation to extend for 10 years accounts which had become gravely delinquent and faced foreclosure. Over 255,000 such accounts were made over in accordance with the amendment Congress adopted. This reduced the monthly payments on these accounts by nearly 40%, but it has had a remarkable effect in giving this large group of borrowers a chance to work out their problems to an extent wholly unexpected. They have been meeting their payments on schedule in steadily increasing numbers and reducing their debts, with every prospect that a very large proportion of them will pay out.

The Corporation has been working steadily to improve these accounts and the smaller loans, as well as to persuade borrowers to increase their principal payments beyond regular amounts. Last year they responded by paying the Corporation over $35,000,000 beyond what was due and in the last fiscal year they paid us $53,000,000 more than their contract called for.

These are the heartening signs about these loans which were made to people of limited means in dire distress. There are, of course, constant shifts in the status of delinquent accounts and many unexpected developments from month to month which affect the operation.

These represent but the high spots of the HOLC problem. There are many other facts bearing upon it which cannot be recounted since time does not permit. I am sure you will realize, however, from this sketchy summation that there are numerous other elements of real importance which cannot be disregarded in any attempt to devise new plans for quick elimination of the Home Owners' Loan Corporation.

I know it is rather superfluous for me to take up your time by talking about the present status of the Federal Home Loan Bank System or the Federal Savings and Loan Insurance Corporation. Both have proven their indispensability, their value to the country and to the lending institutions. You are well informed concerning their progress. As of Sept. 30, if it has not already

(Continued on page 2332)

Anderson Elected Secy. By Hennepin Federal

(Continued from page 2325)

neapolis he was in the commercial banking business.

Mr. Anderson has served on all the Community Fund drives, is a member of the national and Minneapolis real estate boards, Minneapolis Mortgage Bankers Association and Minneapolis Underwriters Association.

In addition to directing affairs of Henenpin Federal, Mr. Anderson also will be executive manager of the realty and insurance agency operated by directors.

Other officers of the association are E. J. Loring, president; John Fogerty, first vice-president; Maurice Schumacher, second vice-president; O. J. Hanson, treasurer; L. B. Byard, attorney. Directors include the officers and C. A. Oltman, Henry A. Johnson, James E. O'Donnell and John T. O'Donnell.

John H. Fahey Warns Of Unsound Boom In Real Estate Prices

(Continued from page 2331)

come to your attention, you will be interested to know that its 3,764 members had assets of $6,200,000,000, the peak of their development. Of this membership 3,720 were savings and loan members having assets of $5,400,000,000. The Federal Home Loan Bank System faces the problems of the post-war period in the strongest position in its history. It is the largest institution of its kind in existence and it is in a position to serve you and the nation to great advantage. Its ability to render service has never been really tested. In the time of greatest crisis the Home Owners' Loan Corporation served the purpose of a mortgage reserve institution. It did not lend against, but took over outright, three quarters of a billion dollars worth of defaulted mortgages from the savings and loan associations of the United States and placed that much cash at their disposal. It also purchased the shares of institutions to the extent of another quarter of a billion dollars.

With a billion dollars at their disposal in the years that followed, the member institutions of the Bank System had no occasion to utilize the resources of the Federal Home Loan Banks as they might have done under other circumstances. Today this banking system has been placed upon such a firm foundation that it has ready and immediately responsive access to the money markets of the country whenever it wishes to distribute its debenture obligations. They command excellent prices, since it is not easy to think of a safer or better investment.

As you know, various proposals for adding even greater strength to the Bank System and improving the opportunities of its members to be of service to the public have been before Congress. Despite earnest and persistent efforts to advance the consideration of these measures, Congress has been so absorbed with legislation directly affecting the war effort that it has not been disposed to take up proposals which it did not regard as being of a character to demand immediate attention. We are assured, however, that in the coming session these desirable changes affecting the Bank System will receive the attention they deserve, and I believe they will.

The Insurance Corporation at the end of the last quarter had insured the accounts of 2,440 institutions with assets of $4,038,000,000. Like the Federal Deposit Insurance Corporation, it has made such a record that the principle of insurance as applied to this type of business is now established thoroughly and has won complete public confidence. If that confidence in the strength and stability of our financial institutions had not been established, you may be sure that when the disaster of Pearl Harbor overwhelmed us, we would have faced really serious difficulties in this country.

What insurance means from the public standpoint is shown conclusively by the record of savings entrusted to the institutions in the membership of the Federal Savings and Loan Insurance Corporation compared with similar institutions which have not secured such protection for their savers. In the period since the organization of this Insurance Corporation, that is, from 1934 to 1942, inclusive, the member institutions of the Corporation gained $1,814,000,000 in savings, while those which failed to secure this protection for their savers lost $2,797,000,000 of assets.

As you know, these insured institutions are now continuing their development at an unheard of rate. Savings as a whole are reaching a figure which even the most imaginative never anticipated. Individual savings were about 10% of our national income in 1929 or a little less than seven and a half billions. For this year the figures indicate our people will save about $35,000,000,000. With the national income continuing to rise, it is estimated that the total savings next year will reach $45,000,000,000, or 20 times the low figure of 1933. A large part of these savings will be available for investment in mortgages and the building of homes. We all know that the shortage of homes in this country which followed the 1929 panic had not been made up when we were forced this second world tragedy. In 1935 we built over 937,000 houses in the United States. How many we can and will build when this war ends is a matter of speculation, but it is clear that there will be a demand for an enormous number of houses; far beyond anything previously known in this country.

I am not going to even suggest what the changes may be in the design of homes, the employment of materials, new loan plans or the policies which the lending institutions should follow to prevent overdoing the job. These are the things which you meet here to consider and I am sure you will realize the dangers as well as the opportunities for great service. For myself, I am not concerned about vague possibilities of great troubles descending upon us in the period after the war if we keep our heads about us.

We have the resources to finance home ownership and everything else we need in greater abundance than any country in history. We have the energy and the "know how." If little England can survive a Dunkirk and the terrible ordeal through which she has passed and give all of us such an inspiring example of real greatness, power and sublime spirit; if Russia with all the defeats and handicaps she has had to overcome and the terrific loss of life she has sufffered can turn about and win the greatest battle in military history; if China, tortured by conscienceless savages and fighting with bare hands can carry on and come back; if the occupied, Hitler-enslaved countries remorselessly crushed can, as they have, plan greater things for their people in the years ahead; then surely the United States of America, which has startled the world and our own people by a miracle of production, has the ability to meet any emergency and establish new frontiers of achievement for the benefit of mankind such as have never been regarded as possible.

NYSE Advises On Bonuses

With reference to New York Stock Exchange rules, relative to permissible bases of compensation, the Exchange has determined that members and member firms need not report to, or obtain the approval of, the Exchange in connection with Christmas or year end bonuses or justing payments to their own employees. The Exchange announces that it "expresses no opinion in regard to the possible applicability of Federal regulations governing salaries and other compensation," and adds:

"Any payments or gratuities to persons who are not full-time, bona fide employees of the member or member firms making such payment or gift may be made only in accordance with the provisions of Rules 443 and 444 . . . of the Directory and Guide."

Private Enterprise At Crossroads, Ralph H. Cake Tells U. S. Savings & Loan Conference

(Continued from page 2325)

limiting subsidies to relief subsidy.

"Nowadays it seems everybody is in love with private housing. The most rabid public houser will tell you that private enterprise should be given the big job. But there is always this catch. We should have the job only up to the point where we cannot supply the needs of the low income group. This is a most specious argument. We know that this is the philosophy under which the war housing program of the past two years has been conducted. We know that using this slogan the housing officials managed to deal a definite blow to the program of small home ownership during the war period. The same practical results will follow from the application of this policy in peacetime. The housing demands of the post-war era will present the danger of a green light to Government-owned housing. I think this business which has fostered home ownership for 112 years believes in home ownership enough to keep on fighting for it."

The League executive pointed out that one of the grave public problems of the nation consists of the relations between the agencies of Government in general and the people.

"These agencies have grown in importance far beyond their deserts," he said. "Their personnel take an arrogant attitude toward those with whom they deal, although there are a few fine exceptions to this rule among the multiplicity of agencies which have seen such mushroom growth in the past dozen years.

"I feel deeply that private enterprise is at crossroads in this nation. So many of those who applaud it are not clear as to the distinction between what we mean by standing on our own feet as business men, and what we mean by dependence on Government. We see evidences of bureauocracies which call themselves the friends of private enterprise. We have had 11 years of letting the Government step in supposedly to right a difficulty and remain to run the show. I am troubled about the kind of thinking and courage our business men are going to show in detaching our economy from wartime Government controls which must inevitably paralyze initiative if they remain after the emergency. I am concerned about the will to prolong the emergency by those deeply entrenched in Government who will look for no leadership anywhere outside of Washington."

Mr. Cake's address followed the reading of messages to the conference of savings and loan executives assembled from all over the country, from President Franklin D. Roosevelt, and from William Green, President of the American Federation of Labor.

Stating that savings and loan associations deserve the cooperation of their government in their program of encouraging thrift and home ownership, Mr. Roosevelt said government agencies have been set up to serve these institutions.

"In turn, these associations should cooperate in the future as they have in the past so that the full resources of private enterprise and government can be utilized to provide American families with better homes at a cost within their incomes," the President's message said.

Mr. Green's letter held it to be the determined purpose of the AFL to encourage thrift and home construction, "to preserve the American concept of home ownership and to protect and maintain the spirit and principle of free enterprise and individual initiative."

The opening session of the savings and loan conference heard from H. F. Cellarius, Cincinnati, Secretary - Treasurer of the League, that the savings and loan institutions have the best liquidity position in their history, that they have gained in assets during 1942 for the fourth successive year, and that the business has been able to "derive strength in certain phases of our operations, as a result of the wartime economy."

Our Anti-Trust Policy

(Continued from page 2318)

modity, if absolute, involves the elimination of competition.

What is to be said of the validity of this doctrine of price, a doctrine upon which our anti-trust policy rests?

Consider first the theory of monopoly price. Its current explanation stops with the conclusion that the monopolist seeks to discover the point at which rate of profit times volume of sales will bring him the maximum total profit.

However, it may be asked why is there a decrease in sales as prices rise, to which the answer is that some would-be purchasers prefer the purchase of something else. But what relation do the sellers of those other commodities sustain to the monopolist? There is but one answer to this; they are his competitors. If this be true, then it follows that the monopolist, though in absolute control of the supply of his commodity, is not free from the influence of competition. Competition, in fact, sets the upward limit to the price of his offering, so long as he is seeking the largest possible profits.

Let us turn now to competitive price, which current theory regards as determined by competition alone. Viewing the situation still from the standpoint of the seller, its effect is to lower prices. Why, it may be asked, does it tend to give a return that equals social cost of production? The traditional answer is that if competition carries price below social cost of production, some competitors will be forced out, and the price will go up.

Here, again, closer examination shows that the analysis is inadequate. Price does not *GO* up; it is *PUT* up by those remaining in the business. This implies a cessation of competition, and the introduction of a new influence under which price can be raised. This new influence might be called cooperation but for the fact that it may manifest itself in the act of a single individual. It is preferable, therefore, to call this influence unit action. Those who remain in the business must cease competing and act as a unit, be they one or many, if they wish price to be raised so that their business will no longer be conducted at a loss.

Now this unit action which keeps price up to the social cost of production is the same influence in kind as that which, in the case of monopoly, carries price far above social cost of production. The difference here is one of degree, not of kind.

It follows, if this analysis is valid, that every market price is the result of two opposing influences; competition and unit action, the former tending to lower, the latter to raise price. It follows also that a fair price is not to be secured by the operation of competition alone, but by a proper balancing of these two influences, competition between sellers tending to secure fairness to the purchasers: unit action on the part of sellers, to secure fairness to the sellers.

If these conclusions are sound, there will still remain the problem, a difficult one, of how to secure this proper balancing of competition and unit action. We may be sure that it will not be attained by efforts to eliminate one and to leave a free field for the other.

If time permitted, it would be interesting and profitable to inquire into the significance of the term "free" which so frequently appears with the term "competition." It must suffice here to say that if by free competition is meant unlimited competition, there is no such phenomenon possible, by which is not meant practically possible but scientifically possible, for the competition which lowers price, if continued indefinitely, must lead to bankruptcy.

This suggests a further criticism of our anti-trust policy. It seems to imply that competition contains within itself the power automatically to cease its working at the point where its influence becomes destructive. This automatic power of competition, leading to its suspension when its effects are injurious, does not exist. This, in turn, leads to the observation that neither competition nor unit action is, in itself, good or evil. Each has possibilities of good, each has possibilities of evil. The problem of properly balancing the two involves the problem of how to adjust their working relations so as to utilize the beneficial possibilities of each and to eliminate the evil possibilities.

The fact that competition has not within itself that which automatically causes it to cease when its effects are injurious reveals still another defect of our anti-trust policy. Owing to the lack of such automatic working, there follows inevitably from an anti-trust policy which seeks its end by eliminating unit action and leaving the field open to unrestricted competition, that sellers facing bankruptcy from such unrestricted competition are forced in self defense to adopt what are looked upon as anti-social measures. Doubtless, there are advantages in large scale production which in the natural order of things tend to develop large industries, but this natural trend to industrial consolidation has been intensified by an anti-trust policy that is open to the charge of centering its attention upon securing a fair price for purchasers, leaving sellers to look out for themselves, and, in the last analysis, confronts them with the alternative of bankruptcy or consolidation with competitors.

There remain to be considered the interesting question as to why England has no such trust problem as ours and the further inquiry as to what, if anything, we might learn to our advantage from England's experience.

While the query put to the English economist as to whether England has such a trust problem as ours brought a prompt reply in the negative, the further question as to why was not so quickly and spontaneously answered. In fact, the hesitation which followed suggested to me the thought that it was a matter that he had never had occasion to consider. Finally there came the observation: "Well, I don't know unless it is that England is inclined to allow one to do as he pleases." Of course, that is not to be taken too literally, for in some respects England is stricter than we are in the control of business activity.

To the suggestion that it might be due to England's common law doctrine which does not unqualifiedly forbid all restraint of trade, but limits its condemnation to un-

(Continued on page 2333)

reasonable restraint, leaving the reasonableness or unreasonableness of the restraint to be determined by legal procedure, the gentleman was inclined to assent. At least without committing himself definitely, he ventured the opinion that this might be the explanation of the absence in England of such a problem as ours.

Whether or not this affords a full and satisfactory explanation of the contrast between the two countries in this field, it does reveal a very fundamental difference in policy which may easily account for the contrast in experience. Our law specifically condemns acts that are "in restraint of trade or commerce among the several States or with foreign nations." England's law, on the other hand, as has been said, condemns only unreasonable restraint.

Such a policy as England's, by implication, leaves the question open as to whether combination which results in an increase in price in any given case is to be condemned, which presumably would be determined by a decision as to whether the increase was greater than is necessary to insure fairness. In other words, it plainly recognizes, by implication, that a fair price is one that is fair to both producers and consumers and that law should not concern itself with fairness to consumers alone leaving producers to take care of themselves, with no other defense against cut-throat competition except consolidation.

Three conclusions seem to follow from the foregoing analysis:

First: An anti-trust policy which seeks to secure fair prices through the working of competition alone is bound to fail, and that for two reasons: competition, which has both good and evil possibilities, does not contain within itself that which will automatically suspend its working when its effects become evil; and, in the second place, free competition, in the sense of unlimited competition, is impossible;

Second: An anti-trust policy which concerns itself only with securing fairness to the consumer, leaving the producer to look out for himself, is doomed to failure, because the time comes when the only alternatives left to the producer are bankruptcy or consolidation; and

Third: The effort to secure a fair price by any automatic social machinery, be it free competition or any other, cannot succeed. Fair price in a voluntary economic system (usually called an individualistic or capitalistic system) can be secured only when such brakes are provided for both competition and unit action as will prevent unreasonable restraint of trade and permit reasonable restraint of trade.

Effect Of War On Business Financing

(Continued from page 2330)

financial prudence, could have altered the result.

Financial Overextensions Widespread in Manufacturing And Trade

"Unfortunately," the National Bureau says of the 1921 experience, "business departures from prudence in commitments to buy and sell, in inventory holdings, and in short-term business debt had gone too far in too many cases. Furthermore, the participation of manufacturing and trade concerns in the speculative excesses of the period was widespread; in certain industries—of which automobiles, textiles, rubber, paper, retailing and wholesaling were outstanding examples—financial overextensions were numerous and conspicuous.

"Orders for goods were too often placed and accepted with a reckless disregard for the responsibilities involved. The ultimate liquidity of too many debt commitments, however consistent with customary practice and with the commercial credit theory underlying the new established Federal Reserve System, was solely dependent on impending transactions at the inflated level of prices then prevailing; in other words, too few concerns took sufficient account of their future capacity to retire debt from funds retained from operations in case short-term market expectations failed to materialize. Lastly, too many business creditors and debtors were unprepared to make debt adjustments once financial crisis was at hand; too few of them had anticipated the possibility of such a crisis, and too few debtors had refunded excess short-term debt in time, or converted it into equity.

"In brief, businessmen, bankers, and public officials had simply raised their sights on the future too high and in so doing had overlooked immediate realities."

The study from which these findings are taken was made by Charles H. Schmidt and Ralph A. Young, of the National Bureau's Financial Research Staff and the faculty of the Wharton School of Commerce and Finance of the University of Pennsylvania. It is one of several in preparation by the National Bureau's Financial Research Program that deal with effects of the war upon our financial system. Funds for financing it were made available by a special grant to the National Bureau by the Carnegie Corporation of New York.

Dempsey-Tegeler Co. Celebrating 10th Year

ST. LOUIS, MO.—The investment firm of Dempsey-Tegeler & Co. is this year observing the tenth anniversary of its founding with the publication of a booklet entitled "The First Ten Years."

Harking back to 1933, an eventful and hardly a good year to launch a new investment banking firm, the booklet reminds us that we were in the midst of America's worst and longest dperession; of the first inauguration of Franklin Delano Roosevelt as President of the United States; the nationwide bank moratorium; Chicago's Century of Progress; and in Europe, 1933 began a decade of strife and turmoil.

T. F. Dempsey and J. F. Tegeler, founders of the firm, were both formerly associated with the Mercantile-Commerce Co. and its predecessor in St. Louis. They started their firm in a one-room office at 407 North Eighth St. with personnel of one salesman. Today, they are still at the same address, but are in their sixth expansion of quarters and employ more than thirty people.

Since its inception, Dempsey-Tegeler & Co., has specialized in underwriting and distributnig institutional securities of various religious denominations. During the ten year period, the firm has underwritten an average of two loans per month aggregating the principal sum in excess of $50,000,000 on institutional, commercial and residential properties throughout the United States.

On Dec. 18, 1941, the firm was admitted as a member of the New York Stock Exchange. On March 14, 1942, became members of the St. Louis Stock Exchange, and associate members of the New York Curb Exchange on April 7, 1943.

Good Return Plus Safety From Insured Investment

The Oak Park Federal Savings & Loan Association, 104 North Marion St., Oak Park, Ill., will be pleased to send upon request a booklet giving full details on the desirability of insured Federal Savings & Loan investments. Current dividend rate 3%.

Real Estate Securities

(Continued from page 2316)

ceeding, the City reduced this assessment by $500,000 to $8,075,000 in which they value the land at $4,100,000 and the building at $3,975,000.

Compare this $1,823,210 with the appraisal of the property in 1925, when the original bond issues were sold to the public. At that time the property was appraised at $16,079,736—the land at $4,900,000 by George R. Read & Co. and the building at $11,179,736 by McKim, Mead & White.

Compare this $1,823,210 with the 1925 financing of the property. First mortgage bonds sold to the public were $9,500,000 and second mortgage bonds were $3,000,000—a total funded debt of $12,500,000, and this was no unloading scheme. August Heckshire had just paid $14,000,000. for the property. You will note that the junior, subordinate loan at that time was more than one-third greater than the current market value placed for the entire property by the present price of the first mortgage bonds.

Another interesting comparison with this value of $1,823,210 is that the income of this property in the years 1925 to 1932 inclusive, averaged close to $2,000,000 a year and in 1930-31-32 exceeded this figure. During these latter three years the property was assessed at $11,300,000.

Should inflation or a post-war shipping boom in the City of New York cause rental values of downtown office space to go back to the rentals of those three years, you would have a situation of the annual rental of this building exceeding the value the current market of the bonds places on the entire property.

Personally the writer feels that such a supposition is being over-optimistic indeed, but by the same category he feels that the current market of these bonds indicates just as an exaggerated degree of pessimism.

The bonds are secured by a first mortgage on land owned in fee at the northwesterly corner of Broadway and Exchange Alley, one block south of Wall Street, New York City, together with the 33-story office building standing thereon. The plot fronts 105.1 feet on Broadway, 202.2 feet on Exchange Alley and 110.9 feet on Trinity Place, comprising an area of about 22,180 square feet. The building contains a net area of about 451,000 square feet. It is serviced by 24 high speed elevators and also contains an independent electric plant. It has its own entrance through the basement to the Wall Street Station of the East Side Subway.

Originally reorganized in 1936, the Company again defaulted April 1, 1942 and is currently being operated by Harry Forsyth, Esq., Trustee under Federal Court appointment in bankruptcy. This last default was attributable in a large part to the failure of the North German Lloyd Line to pay rent of $110,000 per annum after July 15, 1941. Their lease for the store and second floor still had about nine years to run. The rent roll of the building has increased over $150,000 since the Trustee's appointment and he still has this North German Lloyd space left to rent in addition to some other vacant space.

Whether or not the building will even be able to collect the some $900,000 which will be due on this lease, only the future can tell. Any rent received before 1950 for this store and second floor would have to be credited against the final amount that the North German Lloyd Line would eventually owe the building. But, if by some lucky chance some of this money could be recovered, it would certainly be a windfall for the bondholders.

PRIMARY MARKETS IN
INSURANCE STOCKS

HUFF, GEYER & HECHT

New York 5
67 Wall Street
WHitehall 3-0782
NY 1-2875

Boston 9
10 Post Office Square
HUBbard 0650

Chicago 3
135 S. La Salle Street
FRanklin 7535
CG-105

PRIVATE WIRE SYSTEM CONNECTING: NEW YORK, BOSTON, CHICAGO, ST. LOUIS, LOS ANGELES, SAN FRANCISCO AND SEATTLE
TELEPHONES TO
HARTFORD, Enterprise 6011 PORTLAND, Enterprise 7008
PROVIDENCE, Enterprise 7008

Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

Two weeks ago this column stated that "fire insurance is still a growth industry." It is well known, however, that an industry or a company can manifest growth over a period of years, as measured by capital funds and gross sales, yet at the same time exhibit a definite downward trend in net earnings, and eventually in dividends. This week we propose to show that the fire insurance industry exhibits a growth trend in net earnings and dividends, as well as in capital funds and volume of business.

The records of a group of thirty representative stock fire insurance companies have therefore been studied, covering the period 1925 to 1942, and certain pertinent figures for significant years in the period are presented in the accompanying tabulation:

Year—	Capital & Surplus ($000)	Liquidating Value ($000)	Net Premiums Written ($000)	Total Net Operating Profits ($000)	Dividends ($000)
1925	357,948	505,394	416,190	26,837	21,860
1926	382,537	536,323	430,425	32,358	22,878
1927	468,694	623,932	422,947	52,116	26,147
1929	684,885	842,905	427,160	71,605	34,911
1932	384,326	510,899	303,646	28,471	26,495
1940	755,759	895,868	399,089	58,671	36,171
1941	707,497	862,299	456,784	58,532	37,491
1942	732,644	886,467	501,521	41,375	36,431

It will be noted that in 1942 capital and surplus, liquidating value, net premiums written and dividends not only were higher than at the start of the period in 1925, but were also higher than in the peak year of 1929. Net operating profits, however, were not up to the 1929 peak, but they were substantially above those of 1925 and 1926, despite heavy war-marine losses in 1942. In order to indicate the trend somewhat more clearly, and at the same time to avoid the use of any single year as a base from which to measure, the following additional figures are presented, in which the averages of the three years 1925, 1926 and 1927 are used as a base and are designated 100. They are then compared with 1929 and 1932 figures and with the averages of 1940, 1941 and 1942. In this way the effect of a non-typical year is modified.

Chemical
Bank and Trust
Company

Bulletin on Request

Laird, Bissell & Meeds
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Department)

Year—	Capital & Surplus	Liquidating Value	Net Premiums Written	Total Net Operating Profits	Dividends
1925 to 1927 (Av.)	100	100	100	100	100
1929	170	152	101	193	148
1932	95	92	72	77	112
1940 to 1942 (Av.)	182	159	107	143	155

This table brings out quite sharply the marked growth trend over the period of all items, with the exception of net premiums written. The latter show only a moderate trend, as a result of the 30% reduction in average premium rates which has developed since 1925.

It is now of interest to examine a little more closely the total net operating profits of the thirty companies. The year 1925 was one of rather heavy fire losses, but the years 1926 and 1927 were profitable underwriting years. Total net operating profits for these three years, including net investment income, averaged $37,104,000, and are designated 100. The year by year record for the entire period is as follows:

1925-1927 (Av.)	100
1928	171
1929	193
1930	122
1931	126
1932	77
1933	147
1934	158
1935	183
1936	150
1937	167
1938	141
1939	151
1940	158
1941	158
1942	112
1940-1942 (Av.)	143

It is not particularly significant that the 1929 peak year has not since been surpassed, but it is significant that the trend of earnings since the 1932 "slough of despond" has moved steadily upward and that in every subsequent year earnings have been greatly above the 1925-1927 level, even including 1942 with its submarine losses. The business and profits of fire insurance are affected by

(Continued on page 2337)

J. R. Lindsay & Co. To Be Formed, NYSE Firm

GREENVILLE, S. C.—J. Robert Lindsay and John O. Dysart will form J. Robert Lindsay & Co. with offices in the Franklin National Life Building as of Dec. 16. The new firm will be members of the New York Stock Exchange, Mr. Lindsay acquiring the membership of Fairman R. Dick.

Greenfield V.-P. of Fewel

LOS ANGELES, CALIF.—Roy S. Greenfield has been appointed vice-president of Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Greenfield will continue to make his headquarters in the firm's Beverly Hills office, of which he is manager.

Economic Fallacies Of NASD's Profit Limitation Rule

(Continued from first page)

The general economic concept of profits is that it is *a differential.* This means that profits are not uniform or fixed, that, in some cases they may be positive and in other cases negative quantities. In a competitive market each individual trader, producer or dealer is subject to variations in gross profit margins and out returns, because each has different costs, undertakes different degrees of risk, and performs different degrees of services.

There is no predetermined or "fixed" rate of profit under economic laws as there may be a fixed rate of wages or a common rate of interest. Individual profits vary not only from day to day, and from place to place, but may change suddenly from less than nothing to high amounts. And there is hardly such a thing as a "riskless transaction" in a business economy in which it is the peculiar function of the dealer or trader to assume the risks of ownership.

As the late President Hadley of Yale University, in his treatise on Economics has so aptly pointed out, "A large speculative element is involved in trade of every kind. The trader seeks to buy articles at as low a price as he can and to sell at a higher price. He may do this either by buying them in a market where they are cheap and selling them in a market that is dearer; or by buying them when they are cheap and selling them when they are dearer. The uncertainty attaching to the amount of such profit makes the operation a speculative one."

The first great writer on economics, Adam Smith, called attention more than a century and a half ago to the diversity of costs and risks among dealers. He wrote in his "Wealth of Nations" (Book I, chap. X): "The whole drugs which the best employed apothecary in a large market town will sell in a year may not perhaps cost him above thirty or forty pounds. Though he should sell them, therefore, for three or four hundred, or at a 1,000 percent profit, this may frequently be no more than the reasonable wages of his labor charged in the only way in which he can charge them, upon the price of the drugs. The greater part of the apparent profit is real wages disguised in the garb of profit. In a small seaport town a little grocer will make forty or fifty percent upon a stock of a single hundred pounds, while a considerable wholesale merchant in the same place will scarce make eight or ten percent upon a stock of ten thousand."

"The term 'profit,'" states the late Professor J. S. Nicholson of Edinburg University, "includes classes of income that differ widely in character: it includes interest on loanable capital and interest on capital not loanable with a great variety of sub-species; it includes what is called compensation for risk, which may mean anything between a sufficient inducement to gamble and a private mercantile insurance, and it includes earnings of management of capital, by the owner and the borrower — in large and in small business, and in business of endless character.—It is well observed by Adam Smith that from the very nature of profits of stock it is much more difficult even than with wages to obtain an average for the whole of a great country at any time—with the development of industry since the time of Adam Smith these difficulties have increased."

No economist has ever refuted these assertions. To attempt to fix "a reasonable profit margin" for all engaged in the same trade or industry, without taking into consideration the disparities in costs, risks, merchandise turnover and other marketing factors is like trying to fit every man in a community with the same size suit of clothes or pairs of shoes.

The merchandising of securities does not differ essentially from other fields of merchandising. In the case of securities having an active and broad market, the margin of gross profit will be relatively small and still afford opportunities for reasonable and even high compensations to dealers. But with securities, little known, of limited quantity and that come upon the market infrequently, a much larger margin would be required and still make dealings in them precarious to the traders. Because, in the case of such securities, the dealers, in addition to bearing the risks of market changes —which may be more drastic, there are the expenses and delays in finding buyers; the relatively greater overhead charges; the slower "turnover," and other worries and costs.

These vary in time and place. They vary with the size and scope of the firm. The corner grocer certainly does not attempt to add to the cost of each item in his stock, a fixed percentage to arrive at a sale price, and when he must meet the competition of other dealers, he cannot make his own prices. They are made for him. So with the security dealer. A department store does not make the same "write up" on cotton cloth as on fur coats and evening gowns. Neither can a dealer in any line of merchandising, tell definitely at any instance what price he is to obtain for his goods. Purchases are ordinarily made before sales, and a sales price may be asked but never received. The margin between bid and asked is constantly changing. It is only in standard commodities having very wide markets, such as wheat, cotton and the like, that purchases and sales can be counted upon as coming in such close proximity as to time, that a reasonable expectation of profit can be counted upon, but even in these commodities, because of small profit margins, a system of hedging is required to insure against heavy losses.

That the security dealer plays an important role in promoting price stability for the property with which he deals cannot be denied. Unlike the broker, he acts not merely as an intermediary in an exchange transaction, but as a temporary storage tank. He is like a reservoir, taking in supplies that have no other immediate outlet, and then later distributing these supplies into orderly marketing channels. In this respect, he may perform the service better than the "open market" or the organized exchange, with its trading floor. Experience has shown that bank and insurance company shares, which were formerly listed on the New York Stock Exchange, have been furnished a better and more stable market through dealer trades. Consequently, few of this class of securities, though listed are bought and sold on the floor of the exchange. The same holds true in the case of some classes of bonds. These are now almost universally bought and sold through dealers acting as "specialists," and judging by the margins of "bid and asked" quotations, there is little ground for complaint that a fair and equitable market is not furnished investors for these classes of securities. It was even noted by Governor Hughes' Committee on Speculation, as far back as 1909, "that the practice of specialists in buying and selling for their own account often serves to create a market where otherwise one would not exist."

Manifestly, what the NASD has in mind in issuing a profit limitation rule, is that the public in purchasing or selling securities should receive "fair market values." The courts have time and again stressed the fact that although "fair market value" for real estate and similar property is "what a willing buyer would pay to a willing seller," the means of ascertaining this condition in individual transactions are rarely present. This certainly can be applied to many classes of securities. The relative positions of buyers and sellers in effecting an exchange need not be known to each other, and each seeks to ascertain what is the highest or lowest price, as the case may be, the other will bargain for. Now this "market higgling" (as economists call it) would cease, if buyers and sellers (as the Commission desires) would be compelled to make known their position to each other. Hence, there would be a destruction of the fundamental basis for establishing stability in exchange value. It is only in commodities and goods in which there are at all times many buyers and many sellers that the effects of the relative position of the parties involved are "ironed out" and become equalized through the operations of averages applied to the law of large numbers. Because a security dealer occupies a position midway between the buyer and seller, and is ordinarily neither forced to buy or forced to sell, he is, in reality a factor in the equalization of the position of the parties to the transaction, and assists in serving both, by stabilizing prices. This is illustrated by the function of the "floor trader" on the stock exchange. It is he who absorbs the overflow when selling is forced or excessive and who supplies the dificiencies when buyers are more plentiful than sellers.

A matter which the NASD neglects to take into consideration in its "profit limitation" rule, is the disparities in the size of transactions. It is an ageold recognized principle of trade that where large quantities are involved, the profit margin should be smaller than in the case of small quantities. On what basis would the NASD distinguish between wholesale and retail transactions? Security quotations do not ordinarily designate differences in prices on a quantity basis, yet dealers in large lots are entitled to wholesale prices and quantity discounts, and "odd lots," particularly in the case of inactive securities are logically bought by dealers at lower prices and sold at higher prices than "round lots." The spread between "bid and asked" is expected, therefore, to be greater when small quantities are dealt in on a retail basis, and the spread may also be larger when securities are bought at wholesale and resold on a retail basis. These complications would require considerable "ironing out" by any set of regulations which may be imposed by a governmental organization which attempts to set up rules on "profit margins" and "quotations" applicable to any and all dealings, whatever may be their variety. All this would mean a ruthless intensification of bureaucratic domination of private business, rendering it helpless in a straight jacket, continuously changed and tightened by rules, orders, classifications and all the other machinery of arbitrary control and supervision.

The security dealer, because of the nature of the property which he handles, assumes a greater risk of ownership than dealers in commodities. He does not buy and sell a product which has a relative stable cost of production, upon which a market price may be based. Neither can he count upon a steadiness or elasticity of demand. His market may be taken away from him almost over night—(as witness the stock market crises of the past). Moreover, he has no control of the factors which fix the value of the merchandise he handles. He cannot make his own market," even if he controls the effective supply of that which he deals in. His risks are therefore greater than that of manufacturers and merchandisers of consumer goods. He is concerned with "capital goods," the value of which depends, among other things, on future income. In other words, he *deals in futures—i. e. uncertainties,* which must be discounted in the risks he takes. He has little opportunities for hedging his transactions, and he must supply large amounts of capital in relation to his rate of "turn over" and profits. His business is highly competitive. Moreover, he must exercise a personal skill and foresight, which requires years of experience and business training. With these considerations, it is difficult to see on what economic, or political, or moral basis, a ceiling shall be placed on his gains, without a floor against his losses.

Probably the most disastrous effect of the proposed dealer profit limitation will be the elimination of a dealer market in many inactive securities, and thus injure many holders of this class of investments. Should any dealer find the margin too small to offset the risks and worries of handling inactive securities, can any rule compel him to make a market for them? This condition would possible result in the concentration of inactive security dealings in the hands of so few specialists as to seriously limit competition and create a sort of monopolized market. It would, moreover, greatly increase the number of brokers as compared with dealers. Brokers do not make nor stabilize a market. At best, brokers depend upon dealers to effect their transactions, and when dealers are few and brokers are many the market is narrowed. There is, then, little opportunity to "shop around" to make the best trades. Under this situation, investors, particularly those of small holdings, will suffer for want of an adequate market to dispose of their property.

The CHRONICLE invites comments on the views expressed by Dr. Sakolski in this article, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Spruce St., New York 8, N. Y.

Landon Advises Caution On Moscow Pact

(Continued from first page)

outside of the military arrangements," Mr. Landon said there was no assurance that Russia agreed with the nonaggrandizement principles of the Atlantic Charter.

Asserting that the Roosevelt administration and the Soviet government "have already placed conflicting interpretations" on the "completely indefinite" Moscow declarations, Mr. Landon said his party should not "accept responsibility for a probable disillusionment later. . . . so that when the showdown comes the Republican leadership might be held partially accountable by the electorate."

He exhorted Republicans to carry out their minority party functions of "investigation and checking up on the party in power." In this work he asked the aid of "real Democrats."

Other highlights the United Press reported from Mr. Landon's speech are:

"Regardless of the causes that gave the administration power, it discarded its original planners who believed in the capitalistic system and replaced them with those who thought the capitalistic system was wrong. They seized the opportunity to substitute the totalitarian state of a foreign pattern for the American system of a multitude of little independent businesses.

"It (the administration) also has created a confusion of ideas that has destroyed the stability of government so essential to national prosperity. For no one can be sure what our ambitious President will do next. Uncertainty rules. The penalties on producers of all kinds, especially in these days of expanded government power, are swift and disastrous.

"The greatest problem of all—foreign or domestic—is how can we enjoy the benefits of mass production keeping our standard of living the highest in the world and at the same time preserve the equality of opportunity for the individual. Government must preserve that opportunity for the individual as it must conserve its natural resources. The New Deal has not found the answer because the little fellow has taken a tremendous beating under the present administration.

"Government should be setting the example of the spirit of America which is the spirit of a free people. If don't work together we won't be long either free or self-governing.

"I have no fear of post-war unemployment if business is relieved of the constant uncertainty of the Roosevelt administration, and a sound fiscal policy is adopted. Nonmilitary expenses can and should be cut 25%. The Republican drive for frugality and economy must be made effective by legislation.

"Furthermore, in view of the administration's record of irregular short cuts, and by-passing or ignoring the clear intent of Congress, who can trust it?"

Coen In Tacoma

TACOMA, WASH.—Harry A. Coen is engaging in a securities business from offices at 1106 North Prospect Street.

SEC Delay In Abrogating NASD "5% Profit" Rule Stirs Anger Of Dealers

(Continued from page 2311)

in the matter the patience of the membership is obviously being sorely tried.

Because of the SEC's inaction some dealers tell the "Chronicle" they have resigned from the NASD, others are contemplating doing so and are ignoring the profit limitation rule entirely in the interim, but all make it clear that they feel the Commission is indifferent to the plight of the small dealers and is perfectly satisfied to see them snuffed out.

Two representatives of the "Chronicle" called on practically all of the dealers in 16 cities in the Middle and Far West and found only five that were not opposed to the NASD's profit limitation rule. It is significant, too, that organized opposition to the measure has developed in New York City. If the bulk of the dealer firms in Wall Street feel that the rule will work a hardship on them it is obvious that it means virtually crucifying the small dealers on the main streets of the towns, and hamlets of the country.

Truly, it is high time the SEC took action in the matter and if they don't do so shortly the "Chronicle" predicts that Congress will appoint a special committee with the power of subpoena to go into the whole subject. We feel sure that Congress just will not stand by, even though the SEC is willing to, and see the bread and butter of the smaller dealers of the country snatched from their very mouths.

Those interested in the economic effects of a profit limitation measure will want to read the article on the outside front cover of this issue by Dr. A. M. Sakolski, entitled, "Economic Fallacies of NASD's Profit Limitation Rule."

This profit limitation rule MUST and WILL be killed. Every dealer should exert himself towards this end. We give, starting on page 2311, as many of the letters received on this subject as can be accommodated in this issue. None favoring the decree were omitted. The "Chronicle" invites other dealers to write in giving their views on the subject. Publishing these letters will be helpful to the Editor of the "Chronicle" and to members of Congress who are interested in the subject. The names of those submitting comments will be omitted where requested. Communications should be addressed to Editor, Commercial & Financial Chronicle, 25 Spruce Street 8, N. Y.

Tax Factors Influence Financing Methods

(Continued from page 2311)

the case of some utility operating companies. Apparently cumulative income interest can be deducted for tax purposes even if not paid, as in the case Third Avenue and Hudson & Manhattan income bonds.

A disadvantage for corporate holders of bonds as compared to preferred stocks is that an 85% tax credit can be taken on dividends received (with income tax paid only on the balance) which credit does not apply to interest.

Recent Instances

Recently, however, two well-known corporations have employed the principle without reorganization or any necessity arising from financial straits as the reason. Thus it appears that this action must be taken because of certain specific advantages inherent in the plan itself.

The latest instance is that of Certain-teed Products Corporation, which plans an unusual type of refunding of its outstanding 6% preferred stock. This corporation registered with the SEC on Oct. 30, $6,737,300 cumulative income 4% debentures, 1973, and 134,746 shares of common stock. Present holders of the preferred, on which $39 dividend arrears have accumulated, will be offered the right to exchange each share for $100 principal amount of debentures and two shares of common stock. If holders of 57,250 shares of preferred accept the offer, the company will the issue 208,446 additional shares of common stock, to be offered to present common stockholders on a 1 for 3 basis, and $5,500,000 senior debentures with a maximum interest rate of 4½%, which, with the proceeds from the sale of common stock, will be used to retire the outstanding $7,100,000 fixed interest debenture 5½s of 1948.

Other things being equal, the tax saving at the total rate of Federal income and excess profits taxes paid last year would be $140,000 annually, comparing the amount of income debentures with an equivalent issue of preferred stock.

Last summer Armour & Co. (of Delaware) offered $35,000,000 cumulative income debenture 7s, 1978, in exchange for a like amount of its $52,358,100 cumulative 7% preferred stock which was guaranteed by Armour & Co. of Illinois, the parent company. Later (June 7) a banking syndicate sold the unsubscribed portion, $15,517,700, at 110 to yield 6.32%.

Interest on the new debentures is payable on an income basis, the cumulative feature providing protection analogous to that of the preferred stock. A sinking fund of $1,000,000 annually is contingent on earnings, but a $6,900,000 reserve was set up to anticipate interest and sinking fund requirements for the first two years.

Debenture net income was defined to mean consolidated earnings after all deductions except income and excess profits taxes, accrued interest on debentures and inter-company debt, and interest on debt of the company or any subsidiary to Armour (Illinois) or its subsidiaries.

On a comparable amount of income debentures with preferred stock, the tax saving annually to Armour & Co. would be $1,176,000.

Principal Advantage

The chief advantage to a corporation issuing income debenture lies in the fact that interest is a charge prior to taxes and can be illustrated in a simple comparison.

Let us take the hypothetical case of two companies, each with the same amount of common stock outstanding but differing in their senior securities. Company A, let us say, has $2,000,000 of 5% bonds; Company B has $2,000,000 of 5% preferred stock, and each has a net income before interest and taxes of $1,000,000.

In the case of Company A after deducting the bond interest of $100,000 the net income is $900,000, which after taxes of 40% (using only the normal and surtax for purposes of simplification) leaves $540,000 available for the common stock.

In the case of Company B taxes of $400,000 reduce the net income to $600,000, which after deducting the preferred stock dividend leaves $500,000 for the common stock—$40,000 less.

The advantage is even more marked if the companies are in the class that is subject to excess profits taxes. Deducting the maximum 80% tax from the $900,000 net income of Company A, referred to above, leaves $180,000 for the common, while in the case of Company B the total Federal taxes of $800,000 are calculated on and deducted from the original income of $1,000,000 so that $200,000 remains, from which comes the $100,000 preferred stock dividend, leaving a final net for the common of $100,000—$80,000 less.

The advantage is greater as the proportion of senior capital is greater. Thus, if in instances A and B the senior securities had been $4,000,000 instead of $2,000,000, the advantage would be $80,000 in the case of the 40% tax, and $160,000 in the case of the 80% tax.

Excess Profits Tax Feature

A further advantage lies in the war-time provision which gives an optional base for the excess profits tax. As long as this continues in force a corporation is allowed to include one-half of its funded debt in its invested capital base if it agrees to transfer one-half of the interest it pays annually to its earnings before taxes. Considering the usual difference between the amount the corporation pays in interest and the amount it can make on the capital, the advantage is obvious.

Increasing the proportion of income avialable for common stock also means that larger funds are available to be plowed back into the business, if it is considered advisable, instead of being paid out as dividends.

Of course, the advantages which accrue from present tax provisions as a result of war conditions will hardly remain for long after the advent of peace, but it is highly probable that the practice of deducting interest before computing taxes will be retained. The lower the rate of corporate tax, obviously, the less the advantage.

Moreover, the income debenture contains inherently the fundamental advantage that if a corporation suffers a period of lean earnings the resultant inability to meet payments does not ipse facto raise the spectre of bankruptcy. In this respect the income debenture is analogous to a cumulative preferred stock in that the interest arrears accumulate and can be paid off when conditions improve, without the necessity of reorganization consequent upon failure to meet the terms of a fixed interest-bearing bond, as long as the principal can be met at maturity.

Thus it is that income bonds were previously employed principally to reduce fixed charges in reorganization. The recent instances above cited differ in that they represent the employment of such issues by solvent companies in no danger of bankruptcy.

The interest rate of an income debenture is usually fairly high, this being a compensating factor for the provision that it need not be paid unless earned.

In view of these advantageous features it would not be surprising if the use of the income debenture were extended to more general use by corporations whose solidity and earning capacity would warrant it.

Railroad Stockholders Becoming Bondholders

The tendency for stockholders to become bondholders (aside from reorganizations) is witnessed in another direction, also impelled by tax considerations. Many railroads have guaranteed dividends on the stocks of leased line companies, but as taxes became burdensome and the liability for their payment became a controversial issue, a solution was found in the plan of exchanging the lessor company's stock for mortgage bonds of the operating road, usually secured by a divisional lien on the properties hitherto operated under lease.

The question was raised in connection with Government efforts to collect back taxes in the case of Delaware, Lackawanna & Western leased line stocks, where dividends were held up by injunction because of the tax situation. Recently the Interstate Commerce Commission approved such a plan for New York Central on the New York & Harlem stock under which the latter's minority preferred and common stockholders would be offered fixed interet divisional mortgage bonds giving the same return as existing dividends.

This procedure disposes of the Federal income tax question and gives the lessor company's stockholders a mortgage status and assurance of regular income in most cases at least as large as under the former arrangement, with the operating road benefitting by lowered fixed charges and/or taxes.

The Maine Central has offered divisional bonds in exchange for the stock of its Portland & Ogdensburg leased line, also approved by the ICC, and the Delaware, Lackawanna & Western has a similar program under way. Although no actual problem has yet arisen the Pennsylvania, Reading and the Southern may similarly move for the elimination of taxable rental payments.

It is also interesting to note that this tendency is at variance with the objectives of another division of the Government, the SEC, which, doubtless quite correctly, in general favors a larger proportion of corporate financing through equities than through debt obligations.

Conclusion

The two recent issuances of income debentures by going concerns and the tendency for solvent railroads to exchange bonds for guaranteed or leased line stocks indicate the pressure exerted by Federal tax laws on the forms of corporate financing.

It is true that income-type obligations avoid some of the typical bond disadvantages in case of inability to meet interest payments, as well as providing tax advantages. And it is also true that if this tendency should become widespread some alteration to meet it might be made in the tax laws. It does appear, however, that the inherent advantages in the situation under present conditions point toward an extension of the trend.

Md. Drydock Attractive

Maryland Drydock Company offers an interesting situation according to a memorandum prepared by Cruttenden & Co., 209 South La Salle St., Chicago, Ill., members of the New York and Chicago Stock Exchanges. Copies of this memorandum discussing the situation in some detail may be had from the firm upon request.

The Securities Salesman's Corner

Incentive Plan For Salesmen's Compensation

There are many divergent viewpoints as to the efficacy of various plans for the compensation of salesmen. Regardless of the method of computation and payment used, whether it be straight commission, drawing account against commission, straight salary, or any combination of these plans, it is our opinion that the most effective and generally acceptable plan is one wherein an **incentive arrangement** can be incorporated as a determinant of total earnings.

Whenever there is an incentive motive for increasing a salesman's earning power both the salesman and the firm will benefit. This idea is based upon the premise that CASH speaks louder than anything else. It is a fair arrangement. Good work is rewarded, and this is as it should be.

Some months ago we were apprised of a sales organization that had been allowed to go to pieces. The draft and the lack of a good sales manager had cut the organization down to skeleton size. Only one man was producing anything besides the business the two partners and the "so-called" sales manager brought in. Other men were hired and they would last a few weeks or a month and then would leave. Several methods of compensation were tried during this period of floundering around. One was a small drawing account which was limited in the gross amount a salesman could overdraw. Another was a straight 50% commission. Then several men were hired on a straight salary. None of these plans attracted the right type of men. The turnover was high and the sales organization looked like a collection of whirling dervishes.

One of the first things the new sales manager did after he took over the job of rebuilding this sales organization was to put the following method of compensation into effect. The plan deserves study if you are looking for such an arrangement—we think it has much to recommend it:

First two months a basic salary	$130 month
Thereafter	$110 month

Commission refigured every six months as follows: An average monthly gross is obtained. The months wherein gross production fell below the monthly average for six months are to be recomputed again (not at the commission rate they were originally figured) but at the average rate. The difference between the salesman's original credit in these months and the rate of commission he would have earned at the average basis would be paid to him as an incentive bonus.

FOR THE MONTHS WHEN HIS EARNINGS WERE BELOW THE AVERAGE

	1st 2 Mos.	Thereafter
Up to and including $400 month gross:		
Salary	$130	$110
Commission 15% (on $400)	60	60
	$190	$170
Up to and including $600 month gross:		
Salary	$130	$110
Commission 25% (on $600)	150	150
	$280	$260
Up to and including $800 month gross:		
Salary	$130	$110
Commission 30% (on $800)	240	240
	$370	$350
Up to and including $1,000 month gross:		
Salary	$130	$110
Commission 35% (on $1,000)	350	350
	$480	$460
Over $1,000:		
Salary	$130	$110
Commission $40% (on $1,200)	480	480
	$610	$590

This plan of compensation gives the firm, and the sales manager, more control over the sales force than any plan of straight commission, as well as most drawing account against commission methods of compensation. The slightly better salary (which is nothing more than a "getting started" aid) for the first two months is helpful in attracting the better type salesman who would like to break into the securities business and who has had no previous investment experience. The retroactive compensation feature makes it possible for the sales manager to use the last two months of every six-months' period as the TIME FOR A SPECIAL SALES CAMPAIGN. These are the months when the salesmen can bring up their monthly average and receive additional earnings for the first four months of the period. The commission rate advocated here can be changed to meet your own ideas. In our opinion, we think this basis is fair for the average retail organization.

Stock Exchange Studying Methods Of Mobilizing Private Capital For Post-War Reconstruction

The New York Stock Exchange, following disscusions by its Board of Governors, has initiated studies looking to the development of plans for the mobilization of private capital to aid in world reconstruction after the war has been won. This was made known on Dec. 2 by Emil Schram, President of the Exchange, who, in indicating that preliminary research already has been undertaken, stated:

As the program develops, the Exchange will invite the views of leading authorities in the fields of banking, investment, industry, foreign commerce and government. The over-all objective is to enlarge the usefulness of the Exchange, by the most practicable methods that can be devised consistent with national policy, in facilitating the flow of American and foreign capital."

Mr. Schram further said:

"One phase of the study will deal with the feasibility of making the facilities of the New York Stock Exchange more readily available to foreign interests under such provisions as may be necessary. The prospect that additional foreign companies will ultimately seek to list their securities on the New York Stock Exchange is indicated as another phase of the study.

"The Board of Governors is approaching the large questions involved in world reconstruction and in the reopening of trade channels with the realization that substantial funds will be available for investment after the war. Part of this capital will, presumably, seek employment in American industry. At the same time both American and foreign funds will be seeking advantageous investment outside the North American continent, particularly in the Far East, Europe and South America. This suggests the possibility of soundly established investment companies.

"Having the benefit of a large body of experience gained following World War I, American finance is in a position today to proceed along sound lines, thus avoiding the mistakes which were made in the 1920's in the investment abroad of American funds."

The New York "Times" of Dec. 3, referring to the plans of the Stock Exchange, stated that John A. Coleman, Chairman of its Board speaking in the absence of Mr. Schram who was ill, declared that any explanations of procedure now must necessarily be vague, "as 500 to 1.000 questions must be answered before we know where we're going." He indicated, however, that leading authorities in banking, investments, industry, foreign trade and Government will be consulted. The close cooperation of the Securities and Exchange Commission is expected. At the same time, it was brought out, in the discussion said the "Times" that the new study will concern methods of channeling American capital into worthwhile foreign investments and providing free markets for the resulting securities on the Stock Exchange. In 1927 the Stock Exchange briefly entertained ideas that it might become a real international market but it never has become more than a pale shadow of London.

The "Times" went on to say:

"At the moment its list is shorn of a considerable number of German, Japanese and Italian Issues and it has but 23 foreign companies represented. Fifteen of these are Canadian, three are British, one is Swedish, three are Cuban and one is Swift Internacional, an Argentine company.

"This last is the only foreign corporation to list on the New York Stock Exchange since the passage of the Securities Exchange Act of 1934, although regulations under that act made registration far less onerous for foreign than for domestic corporations."

Noting that it was stated by Mr. Schram that "one phase of the study, will deal with the feasibility of making the facilities of the New York Stock Exchange more readily available to foreign interests under such provisions as may be necessary the "Times" had the following to say:

"This apparently refers to the possibility that European bankers and dealers may eventually be allowed to profit from placing foreign funds in investments here. Due to the Stock Exchange rule against split commissions, foreign houses have had little participation in this business, which has been done largely by the foreign branches of New York houses.

"The study, accordingly, will consider the possibility of split commissions on the London pattern or of arrangements under which foreign partners may be admitted to New York firms. There is now no rule against the latter course, although it has not been generally followed.

Respecting the last paragraph in Mr. Schram's statement it was observed by the "Times" that refers indirectly to the growing conviction in investment circles that American investments abroad, like most British investments, should be on an equity basis, with profits rather than debt service returnable to this country. The paper from which we quote added.

Mr. Schram went more fully into this matter in an article which appeared recently in the Financial Times of London. He said:

"Our funds cannot be invested abroad on a short term, pay-me-back-in-money basis. To a large extent they should be equity commitments—ownership—and, to a lesser extent, loans for the purpose of encouraging capital, both domestic and foreign. . . . Presumably, some of the new foreign securities would sell on a high-yield basis. Certainly they would involve speculative risks. But I visualize a new generation in this country which will be avid for risks in new, romantic lands. In the post-war economy society will be disposed, I believe, to reward rather than hinder the risk-taker."

Mr. Schram, who has been President of the Exchange since July 1941, had previously been Chairman of the Reconstruction Finance Corporation.

OUR REPORTER'S REPORT

The manner in which the investment market receives the $42,000,000 first mortgage bonds of the Utah Power & Light Co., sold to bankers yesterday in competitive bidding, will be scanned closely by the underwriting world.

Observation will be more critical than has attended most recent offerings, it was averred in banking quarters. It is the studied opinion of security men that decision to go ahead with, or defer, many other potential issues, between now and the middle of January, will depend on investor response to the Utah Utility's offering.

If this deal goes through in a manner to make for confidence in the ability of the market to absorb further sizeable undertakings which are on the waiting list, then a period of substantial activity is almost certainly assured, it was argued.

But should it prove slow by reason of pricing, it would probably be the signal, it was contended, for other prospective issuers to sit back and wait for the market to adjust itself to conditions more in keeping with investor ideas.

Should the latter condition develop, informed underwriting interests are pretty well convinced that corporate market would face a hiatus of some weeks.

Potential issuers would naturally be inclined, as they have in the past, to stand aside after Jan. 18 and give the Treasury a clear track on its Fourth War Loan scheduled to get under way at that time.

Fourth War Loan

Those among the investment banking fraternity who operated the information bureau in the New York area in connection with previous War Loan Drives are figuring on finding themselves employed in other capacities when the new campaign opens next month.

They point out that since the aim of the Treasury, under its new set-up for the next drive, is to intensify individual contacts there will be little need for maintenance of the vast information facilities previously provided.

Those who will make the direct contacts, on a house-to-house and building-to-building basis, will be well supplied with such information as prospective buyers may require, it was observed.

Still Await Call for Bids

Bankers who had expected Illinois-Iowa Power Co. to call for bids on its $65,000,000 first mortgage bonds, for last Monday, are now disposed to put the issue down on the calendar as one that will reach market in due course.

Meanwhile those who specialize in utility financing are lending an interested ear to reports that the Florida Power & Light Co. plans have reached a point where early revival of its refunding program is likely.

Reports say the company probably will file with the Securities and Exchange Commission, soon, the necessary registration covering $45,000,000 of new bonds plus $10,000,000 of debentures.

Actively Discussed Prospects

Aside from the Illinois Power Co. financing, which constitutes the largest single issue in the offering, there are a number of other sizeable undertakings which could materialize given the right kind of a market in the near-term future.

Among these are Michigan Consolidated Gas Co.'s $38,000,000 of first mortgage bonds, plus 40,000 shares of 4¾% preferred stock, on which bids are expected next Monday.

Armour & Co. holders have approved a merger of the Delaware and Illinois companies which is expected to produce refinancing of some $75,000,000 in the form of bonds and notes.

And on Dec. 22 Standard Oil of Ohio stockholders vote on a proposal to issue $10,138,900 cumulative convertible preferred stock to be offered to present common holders on "rights" a banking syndicate would underwrite any unsold portion of the issue.

U. S., Britain, Russia Reach Victory Accord

(Continued from page 2312)

according to their varying desires and their own consciences.

We came here with hope and determination. We leave here friends in fact, in spirit, and in purpose.

Signed at Teheran, Dec. 1, 1943.

ROOSEVELT.
STALIN,
CHURCHILL.

Following is the text of an Anglo-American-Russian statement concerning Iran:

The President of the United States of America, the Premier of the U. S. S. R., and the Prime Minister of the United Kingdom, having consulted with each other and with the Prime Minister of Iran, desire to declare the mutual agreement of their three Governments regarding relations with Iran.

The Governments of the United States of America, the U. S. S. R. and the United Kingdom recognize the assistance which Iran has given in the prosecution of the war against the common enemy, particularly by facilitating the transportation of supplies from overseas to the Soviet Union. The three governments realize that the war has caused special economic difficulties for Iran and they agreed that they will continue to make available to the Iran Government such economic assistance as may be possible, having regard to the heavy demands made upon them by their world-wide military operations and to the world-wide shortage of transport, raw materials and supplies for civilian consumption.

With respect to the post-war period, the Governments of the United States of America the U. S. S. R. and the United Kingdom are in accord with the Government of Iran that any economic problem confronting Iran at the close of hostilities should receive full consideration along with those of other members of the United Nations by conferences or international agencies, held or created, to deal with international economic matters.

The Governments of the United States of America, the U. S. S. R. and the United Kingdom are at one with the Government of Iran in their desire for the maintenance of the indepence, sovereignty and territorial integrity of Iran. They count upon the participation of Iran, together with all other peace loving nations, in the establishment of international peace, security and prosperity after the war, in accordance with the principles of the Atlantic Charter, to which all four Governments have continued to subscribe.

DIVIDEND NOTICES

Arkansas Western Gas Company

DIVIDEND NOTICE
COMMON STOCK

The Board of Directors of Arkansas Western Gas Company has declared a dividend of fifteen cents (15c) a share on the common stock payable December 20, 1943, to stockholders of record at the close of business on December 10, 1943. Checks will be mailed.

L. L. BAXTER,
December 6, 1943 President.

American Manufacturing Company

NOBLE AND WEST STREETS
BROOKLYN, NEW YORK

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of $1.25 per share on the Preferred Stock and a dividend of $1.50 per share on the Common Stock of the Company. Both payable December 31, 1943 to Stockholders of Record at the close of business December 15, 1943. The stock record books will be closed for the purpose of transfer of stock at the close of business December 15, 1943 until January 3, 1944.

ROBERT B. BROWN, Treasurer.

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, November 30, 1943.

The Board of Directors has this day declared a dividend of Two Dollars and Fifty Cents ($2.50) per share, being Dividend No. 90, on the Preferred Capital Stock of this Company, payable February 1, 1944, out of undivided net profits for the year ended June 30, 1943, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business December 30, 1943.

The Board also declared on this day, a dividend of One Dollar and Fifty Cents ($1.50) per share, being Dividend No. 124, on the Common Capital Stock of this Company, payable March 1, 1944 to the holders of said Common Capital Stock registered on the books of the Company at the close of business January 28, 1944.

Dividend checks will be mailed to the holders of Preferred and Common Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

EATON & HOWARD

BALANCED FUND

The Trustees have declared a dividend of 20 cents per share and an extra dividend of 20 cents per share, payable December 24, 1943 to shareholders of record at the close of business December 17, 1943.

December 9, 1943 24 Federal St., Boston

OFFICE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
CHICAGO ILLINOIS

The Board of Directors of Louisville Gas and Electric Company (Delaware) at a meeting held on December 3, 1943, declared a quarterly dividend of thirty-seven and one-half cents (37½c) per share on the Class A Common Stock of the Company, for the quarter ending November 30, 1943, payable by check December 23, 1943, to stockholders of record as of the close of business December 15, 1943.

At the same meeting a dividend of twenty-five cents (25c) per share was declared on the Class B Common Stock of the Company, for the quarter ending November 30, 1943, payable by check December 23, 1943, to stockholders of record as of the close of business December 15, 1943.

G. W. KNOUREK, Treasurer.

CELANESE

CORPORATION OF AMERICA
180 MADISON AVE. · NEW YORK, N. Y.

THE Board of Directors has this day declared the following dividends:

5% CUMULATIVE SERIES PRIOR PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.25 per share, payable January 1, 1944 to holders of record at the close of business December 17, 1943.

7% CUMULATIVE SERIES PRIOR PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable January 1, 1944 to holders of record at the close of business December 17, 1943.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable January 1, 1944 to holders of record at the close of business December 17, 1943.

COMMON STOCK

A dividend of 50¢ per share, payable December 31, 1943 to holders of record at the close of business December 17, 1943.

JOHN A. LARKIN,
Vice-Pres. & Sec'y.

December 7, 1943.

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY

Dividend No. 46

A dividend of twenty cents ($0.20) per share will be paid on December 22, 1943, to holders of the outstanding Capital Stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business December 11, 1943. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

A. D. NICHOLAS, *Secretary.*
Boston, December 2, 1943.

J. I. Case Company

Incorporated

Racine, Wis., November 26, 1943.

A dividend of $4.00 per share upon the outstanding Common Stock of this Company has been declared payable December 24, 1943, to holders of record at the close of business December 11, 1943.

THEO. JOHNSON, Secretary.

New York & Honduras Rosario Mining Company

120 Broadway, New York, N. Y.

December 8th, 1943.

DIVIDEND NO. 365

The Board of Directors of this Company, at a meeting held this day, declared a dividend of Eighty-five Cents ($.85) per share on the outstanding capital stock, payable on December 24th, 1943, to stockholders of record at the close of business on December 14th, 1943. This distribution represents the final dividend in respect of earnings for the year 1943.

WILLIAM C. LANGLEY, Treasurer.

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On November 30, 1943, a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable January 3, 1944, to Stockholders of record at the close of business December 16, 1943. Transfer Books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

Combustion Engineering Company, Inc.

200 Madison Avenue, New York

The Board of Directors of Combustion Engineering Company, Inc. has declared a dividend of $2.00 per share on the outstanding capital stock of the Company, payable on December 28, 1943, to stockholders of record at the close of business December 23, 1943.

H. H. BERRY,
Vice-President and Treasurer.

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

December 2, 1943

THE Board of Directors on December 1st, 1943 declared a dividend at the rate of 50c and $1.50 extra per share on the outstanding Common Stock of this Company, payable on the 31st day of December, 1943 to stockholders of record at the close of business on the 17th day of December, 1943. Checks will be mailed.

DAVID BERNSTEIN,
Vice President & Treasurer

IRVING TRUST COMPANY

December 2, 1943

The Board of Directors has this day declared a quarterly dividend of fifteen cents per share on the capital stock of this Company, par $10., payable January 3, 1944, to stockholders of record at the close of business December 14, 1943.

STEPHEN G. KENT
Secretary

MARGAY OIL CORPORATION
DIVIDEND NO. 55

The Board of Directors of the MARGAY OIL CORPORATION has this day declared a dividend of twenty-five cents a share on the outstanding stock of the corporation of the issue of 160,000 shares provided by amendment to the certificate of incorporation of April 27, 1926, payable January 10, 1944, to stockholders of record at the close of business December 20, 1943.

E. D. OLDENBURG, Treasurer.
Tulsa, Oklahoma, December 1, 1943.

THE TEXAS COMPANY

165th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Company has been declared this day, payable on January 3, 1944, to stockholders of record as shown by the books of the company at the close of business on December 3, 1943. The stock transfer books will remain open.

L. H. LINDEMAN
November 19, 1943 *Treasurer*

DIVIDEND NOTICE
WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $.50 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on January 3, 1944, to the holders of record of such shares at the close of business on December 20, 1943.

E. H. BACH, Treasurer.

The Chesapeake and Ohio Railway Co.

A dividend for the fourth quarter of 1943 of seventy-five cents per share on $25 par common stock will be paid January 1, 1944, to stockholders of record at close of business December 10, 1943. Transfer books will not close.

H. F. Lohmeyer, Secretary

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acf

AMERICAN CAR AND FOUNDRY COMPANY

30 CHURCH STREET NEW YORK, N. Y.

There has been declared, out of the earnings of the fiscal year now current, a dividend of one and three-quarters per cent (1¾%) on the preferred capital stock of this Company, payable December 24, 1943 to the holders of record of said stock at the close of business December 13, 1943.

Transfer books will not be closed. Checks will be mailed by Guaranty Trust Company of New York.

CHARLES J. HARDY, *President*
December 2, 1943 HOWARD C. WICK, *Secretary*

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2314)

will continue to make money. But all these points wouldn't mean much if the group's market action didn't show higher prices. That being the case I suggest buying the following stocks:

American Car & Foundry 28½-29½; stop 27. American Steel Founders 21½-22½; stop 20. Both stocks are in a technical position to advance and given a continuation of even current general market behavior should do so. Among the other stocks I consider the following as better than average market performers:

* * *

Dome Mines, Western Union and Youngstown Sheet & Tube. Dome may be acting as it does on inflation fears. Yet, whatever the underlying reason, the stock acts well enough to buy. I suggest Dome between 20½ and 21½ with a stop at 19.

* * *

Western Union "A" between 42½ and 43½ looks attractive.

Not all the steels show a promising market picture. Bethlehem, for example, looks lower, or at least not higher. The specialty steels, like Crucible, not only look lower but actually dangerous. Only two steel stocks show anything on the up side. The first is U. S. Steel which was unobtainable last week, the second is Youngstown Sheet.

* * *

So far as Big Steel is concerned I suggest raising your bid to 49¾-50¼. In YB I recommend a buying price of 34½ to 35½ with a stop at 33.

* * *

There is still another stock which acts well. It is Simmons Co.

On the other side of the fence there is a growing list of securities which act badly. In the forefront are the rails followed closely by the automobile stocks. You can see therefore from the choice of stocks given above that the market does not act in unison. But if you guide yourself accordingly the results should be satisfactory.

* * *

More next Thursday.

—Walter Whyte

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

Railroad Securities

(Continued from page 2313)

Interstate Commerce Act, for the new securities which it is proposed to issue under the plan.

Desirability of putting through the compromise reorganization plan as soon as possible was stressed by sources close to the reorganization managers. It was emphasized that the road should be reorganized before the end of the war in order to take advantage of present favorable conditions. The only alternative, it was stated, is resort to bankruptcy proceedings under Section 77. Such a move would likely cause long delays which might throw the matter into the uncertainties of the post-war period.

International Nickel Situation Of Interest

Thomson & McKinnon, 231 South La Salle Street, Chicago, Ill., members of the New York Stock Exchange and other leading exchanges, have prepared a timely study of International Nickel Company of particular interest to investors at this time. Copies of this study may be obtained from Thomson & McKinnon upon request.

To Admit Salomon & Levy

Salomon Bros. & Hutzler, 60 Wall Street, New York City, members of the New York Stock Exchange, will admit Maurice Levy and William R. Salomon to partnership in the firm on Jan. 1, 1944. Mr. Salomon, a member of the New York Stock Exchange, has been associated with the firm for some time.

Bank & Insurance Stocks

(Continued from page 2333)

cyclical as well as special influences, but generally they tend to follow approximately the curve of the Federal Reserve Board's Index of Industrial Production.

The experiences of individual companies within the group of thirty show wide variations, as is indicated by a few selected examples shown in the following table:

INDEX OF NET OPERATING PROFITS

	Aetna	Fidelity-Phenix	Great Amer.	Hanover	Home	INA	North River	Prov. Wash.
1925-27 (Av.)	100	100	100	100	100	100	100	100
1928	170	174	134	156	191	214	185	154
1929	224	180	151	153	190	270	194	163
1930	104	168	123	97	99	129	137	119
1931	83	168	87	118	102	201	117	136
1932	113	73	52	100	60	135	75	43
1933	164	128	89	172	129	196	137	91
1934	222	113	114	374	161	199	134	107
1935	206	170	118	170	169	249	152	114
1936	150	136	114	128	149	190	147	97
1937	143	168	120	134	147	229	181	116
1938	121	139	88	49	164	191	129	65
1939	136	151	90	98	151	207	141	107
1940	135	181	108	121	133	241	126	115
1941	125	186	98	105	164	254	125	109
1942	70	135	70	85	62	189	21	40
1940-42 (Av.)	110	167	92	104	120	228	91	88

Bearing in mind that the 1940-42 average of the thirty companies is 143. the figure of 228 for Insurance Company of North America stands out in most interesting contrast. Fidelity-Phenix, with 167, is also substantially above average. It will be observed, however, that Aetna, Great American, Hanover, Home, North River and Providence Washington, on account of exceptional marine losses, experienced net results in 1942 well below the 1925-27 level; furthermore, even the 1940-42 averages of Great American, North River and Providence Washington were below the 100 of 1925-27.

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Municipal News & Notes

An informative analysis of the salient factors determining the security of interest and principal of the outstanding Triborough Bridge Authority revenue bonds, together with a series of tables of projected earnings based on past experience, particularly during the 1943 period of enforced restrictions on motor vehicle travel, has just been issued by Bear, Stearns & Co., New York 5, N. Y. In connection with the analysis, the firm states that, as gasoline restrictions of various types and varying stringency have been in effect 18 months, a sufficient period has now elapsed in which to project "with some accuracy" the incidence on the approximate earnings, under different restrictive measures, on any given project whose revenues is dependent on motor vehicle traffic. As a result, the study says, a number of revenue bond issues dependent for payment directly or indirectly on this mode of transportation are currently selling at or near their all time peak prices.

However, it is said, an exception to this trend are the bonds of the Triborough Bridge Authority, which is one one of the leading enterprises of its kind in the world. Failure of the authority's bonds to regain their former relative market status, is attributed by Bear, Stearns & Co., to three factors, to wit:

A more than average decline in earnings as a result of the small percentage of commercial or essential type traffic contributing to the Authority's peace time gross revenue.

Limited accumulated reserves due to the abbreviated period or normal operations between completion of the Triborough's various facilities and the impact of war emergency restrictions.

General unfamiliarity with the current financial status and outlook of the Authority, especially as affected by the ratification in July 1943 of certain amendments of the Bond Resolution, due to the absence of widely published financial statements and a hitherto insufficient period to observe the full effect of various gasoline restrictions on the Authority's earnings with a view to measuring its ability to avoid temporary default for any given period of duration of the war.

Dallas, Texas, Sinking Funds Totaled $2,090,572 on Sept. 30

The City of Dallas, Texas, had total assets of $2,090,572 in its sinking funds at close of the fiscal year on Sept. 30, 1943, as against $2,004,719 on Sept. 30, 1942, according to a memorandum just issued by Stuart Bailey, City Auditor, containing statements and figures in the form of excerpts culled from the independent audits of the city's finances for the respective years. In reporting the sinking fund assets, Mr. Bailey observes, the auditors stated that the totals for both years did not allow for "certain items of assets to be allocated to interest and sinking funds, as realized: viz Accrued interest on cash balances and investments, amounts due from other funds, and delinquent tax balances."

Auditor Bailey points out that no new bonds were issued by the city during the year ended Sept. 30, 1943, and that the total outstanding funded debt on that debt, including direct and assumed obligations, amounted to $33,502,000. The comparable figure on Sept. 30, 1942, was $35,427,250. A breakdown of $2,090,572 sinking fund assets on Sept. 30 last shows cash of $1,113,082; Dallas bonds of $23,000 and $954,490 of United States bonds. Immediate calculated requirements of $1,260,503 and comprising $353,330 for accrued interest to Sept. 30 and $907,172 to meet term bonds, resulted in an excess of $830,069 in the sinking fund assets on Sept. 30, 1943, over immediate requirements.

Philadelphia Asks Court To Exempt Elevated & Sewer Bonds From Debt Limit

In the event that present plans materialize, the City of Philadelphia will have in excess of $40,000,000 borrowing capacity next year with which to provide the basis for an extended post-war public works program. This figure is described as conservative by city officials and is based—in part—on the expectation of court approval of the administration's contention that the city's present investment in sewers and the Frankford elevated line is self-sustaining and therefore should be excluded from the legal debt limit.

It is reported that the city, at the close of the current year, will be $18,900,000 over the limit of its statutory borrowing capacity, which is fixed at 10% of the assessed valuation of all taxable property, real and personal. Of this excess, approximately $12,000,000 will be automatically eliminated next year through sinking fund earnings, budget appropriations to the sinking fund and the retirement of serial bonds. The remainder of the excess will be canceled if the court grants the petition of the city to have the elevated debt declared self-sustaining.

In support of its petition, the city maintains that the annual rental received from the Philadelphia Transportation Co., operating company, is more than enough to provide for amortization of the bonds issued to finance the structure. Of the $10,000,000 debt presently outstanding, $3,000,000 is held in the sinking and the other $7,000,000 is held by investors.

Thus payment of $12,000,000 toward a reduction of the city's gross debt and the exclusion of the $7,000,000 still owed by the city on the elevated line, will more than wipe out the current amount of excess borrowing.

With the city's borrowing capacity in the black for the first time in years, the administration plans to ask the court further to exempt the city's gross sewer investment of $58,000,000 from the legal debt.

The current amount outstanding in this item, however, is slightly more than $40,000,000. The other $18,000,000 is held by the sinking fund either in bonds or cash.

The administration, it was announced recently, plans to impose a sewer rent on each property in Philadelphia. It is estimated that approximately $7,500,000 will be raised annually by this method.

With this income assured, the city will be in a position to substantiate its claim that the sewage system is self-supporting and that the $58,000,000, therefore, does not constitute a charge against the city's borrowing capacity.

Attractive Possibilities

The current situation in Merchants Distilling Corp. common and Standard Silica Corp. common offers interesting possibilities according to circulars prepared by Faroll Brothers, 208 South La Salle Street, Chicago, Ill., members of the New York Stock Exchange and ohter leading exchanges. Copies of these circulars may be had upon request from Faroll Brothers.

Difficulty Getting Small Business Capital Serious

(Continued from page 2310)

little about the present, and everything about the future. But, it is human to try to plan for the future and bankers being human must plan no less than others. What I want to suggest is that their planning be not confined solely to how best to protect their own individual institutions against post-war hazards. That kind of planning is all right and has its definite place, but a little more vision is now demanded of those who practice our calling.

"There are going to be some post-war problems which will concern our whole banking system, and not all of them will be international. So much glamour seems to surround international planning that anything which bears that label is apt to command our immediate and sometimes disproportionate attention. I do not wish to disparage the further development of an international point of view. That would not be in keeping with the whole history of this bank. But we must not lose sight of the fact that, in banking and finance, we have quite a bit to do at home and it is time we were getting at it.

Two related questions will indicate what I have in mind. First, there is the question of government lending, and government guaranteed loans, in fields which have been or might be considered fields for private banking enterprise. In looking ahead to the difficult problems of post-war banking, it can be too readily assumed that government or government guaranteed loans are the way out of every tough spot. Maybe they are; I think they have their place; but bankers should avoid giving substance to the charge, which has been made, that every time the going gets tough the private banking system requires government help. If that charge could be substantiated, the private banking system would pretty soon be busy justifying its existence. It is hazardous to expect the government to step in when things look risky and to pull out when risks have largely disappeared and profits seem secure. The government tends to stay in once it gets in, and borrowers want to know where they can go for credit in winter as well as in summer. I should not want to be understood as counseling banks to take long chances. I am suggesting that you, as bankers, take a long look ahead. You want to do your share in trying to develop an economy in which a high level of production will be the rule, not the exception. Your contribution must be something more than holding cash and government securities.

Incidentally Mr. Sproul declared that "we in the Federal Reserve Bank have a real interest in the preservation and improvement of the private banking system."

At the outset of his remarks Mr. Sproul had something to say regarding the war loans, mentioning that the Third "was successfully completed a few weeks ago," and that the Fourth War Loan begins a few weeks hence. Continuing Mr. Sproul said:

The Secretary of the Treasury has already announced the general terms of the new loan. Increasing emphasis is to be placed on sales of securities to non-bank investors, and major emphasis on sales to individuals. The job of the banks again will be to help sell securities to their customers and depositors; not to buy securities themselves.

How well are we getting on with this job of selling to non-bank investors? When all the tumult and shouting dies, not so well as we should. War expenditures have shown a definite tendency to flatten out since June of this year. Tax receipts have been rising at an accelerated pace. Net expenditures of the Federal Government (budgetary deficit plus net expenditures of government agencies and trust funds) appear to have reached a peak of about $5 billion a month between December 1942 and June 1943. During the second half of 1943 it is estimated that they will average about $4.6 billion a month, and it looks as if the monthly average during the first half of 1944 would not exceed that figure.

It is these net expenditures which fix the current need for borrowing by the Treasury, or the rate of use of past borrowings. They are the basic factor governing the timing of borrowing operations and the amounts to be raised. If we have passed the peak of net expenditures, and if we had achieved a full measure of success in selling government securities to non-bank investors, then we should not have had to borrow funds from the banks, in the amounts we have had to borrow, right up to this moment.

"The net absorption of government securities by non-bank investors rose from an average monthly rate of $1.1 billion during the first half of 1942 to $2.5 billion during the second half of 1942, chiefly as a result of the First War Loan Drive and the intensification of the War Bond campaign. During the first half of 1943, however, net sales outside the banks averaged only $2.3 billion a month, and during the second half of the year it is estimated that the monthly average will not be more than $2.5 billion, the same figure as during the second half of 1942.

"The apparent inconsistency between these figures and the rapid increase in sales of government securities to non-bank investors, reported in each succeeding War Loan Drive, arises chiefly from the fact, which is familiar to all of you, that non-bank investors have been making increasingly large sales of government securities to the banks between drives. We have got to do better and there is reason to believe that we can. The First War Loan Drive skimmed a good deal of the cream of idle investment funds of the larger investors. The second and Third Drives had to tap more effectively the smaller accumulations of savings and the stream of current savings. With better organization, and with even more aid from banks and bankers, the Fourth War Loan Drive should raise the actual or net totals of sales to non-bank investors to the highest figures yet reached. The funds are there. Every estimate, every study, every observation of day-to-day living in our own communities shows their existence.

"We won't get these funds into the Treasury, however, if you and I and others who work in the War Loan campaigns, rest on past accomplishments or take the easy way to a full quota in the future. Real sales to non-bank investors are sales which are bought *and held*. The reminder is taken up in one way or another by the banks. It benefits neither banks nor the government to have non-bank investors pad their purchases, either to make a speculative profit, or to create an illusion of rapidly expanding sales of government securities outside of the banking system, or to reach a quota. We not only have to make sales to non-bank investors; we have to make sales where the securities will stick for a while."

Securities Held In Wis.

Loewi & Co., 225 East Mason Street, Milwaukee, Wis., have prepared their annual list of quotations on bonds, preferred stocks and common stocks which are widely held in Wisconsin. Copies of this interesting tabulation may be obtained from the firm upon request.

Gold For Postwar Trade Favored By Russia

An article in "War and the Working Class," of Dec. 6, expressed the desire of Soviet Russia for stabilized currencies in the postwar world, said an Associated Press dispatch from Moscow, on Dec. 6, which went on to say:

The possibility of participation by international banks or the use of stabilization funds is ruled out by the fact Russia has state-controlled currency, the article said.

"As a country which participates in foreign trade the Soviet Union, like England and the United States, is interested in the stability of currencies in those countries with which it carries on trade relations," the article went on, adding:

"If Soviet trade with other countries could be conducted in gold currency, undoubtedly this circumstance would facilitate trade operations."

Pittsburgh Rys. Look Good

The current situation in Pittsburgh Railways System, particularly certain of the underlying bonds, offers attractive possibilities for appreciation, according to a study prepared by T. J. Feibleman & Co., 41 Broad St., New York City. Copies of this interesting study, which is available to dealers only, may be had upon request from T. J. Feibleman & Co.

Profit Potentialities

The "Rock Island" reorganization offers attractive profit potentialities according to a detailed circular on the situation issued by McLaughlin, Baird & Reuss, 1 Wall Street, New York City, members of the New York Stock Exchange. Copies of this interesting circular may be had upon request from McLaughlin, Baird & Reuss upon request.

Cutting Tool Industry Outlook Attractive

The cutting tool industry offers attractive post-war prospects, according to Loewi & Co., 225 East Mason St., Milwaukee, Wis., in an interesting study of the industry with particular reference to National Tool Company. Copies of the brochure prepared by Loewi & Co. on the situation may be had from the firm by dealers on request.

Unusual Potentialities

Midland Utilities Debenture 6s due 1938 offer unusual potentialities for price appreciation, according to a detailed study of the situation prepared by Doyle, O'Conner & Co., 135 South La Salle St., Chicago, Ill. Copies of this study, and an interesting discussion of the attractions of Federal Water and Gas Corporation common stock may be had upon request from Doyle, O'Connor & Co.

Chemical Bank & Trust Situation Interesting

The current situation in Chemicle Bank and Trust Company offers interesting possibilities, according to a bulletin issued by Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange. Copies of this bulletin may be obtained from Laird, Bissell & Meeds upon request.

Empire Sheet & Tin Plate Situation Attractive

The first mortgage 6s of 1948 of Empire Sheet & Tin Plate Co., offers attractive possibilities according to a memorandum prepared by Hill, Thompson & Co., Inc., 120 Broadway, New York City. Copies of this interesting memorandum may be had upon request.

Govt. Aid To Latin America Discussed

(Continued from page 2312)

ago, is now being repeated with one notable exception: While private bankers may not always have loaned well or wisely and while private investors may not always have used sound judgment, the funds which were supplied to Latin America were, on the whole, furnished freely and voluntarily. The Government, on the other hand, in the role of banker as well as investor, is using the funds of its citizens who, to say the least, have the right to know precisely how such funds are being employed and to what extent they are being directed into non-productive channels.

"If the Government is genuinely desirous of participating in world reconstruction after the war, it should realize that such participation can, in the final analysis, be effective only if done by private capital, which, owing to unsound fiscal policies pursued by the Government with respect to neighbor countries, may refuse or be reluctant to take a part in post-war rehabilitation.

"The Government should encourage Latin American nations in complete or partial default on their debts to resume the service in accordance with original debt agreements, or, when this would be impossible or too burdensome, payment should at least be resumed in accordance with the capacity of the respective debtors to discharge contractual commitments. Extension of credits on a liberal basis on the part of the Government to such nations as continue to desregard entirely, or show little regard for the rights and privileges of creditors, is bound to be misunderstood and misinterpreted both South of the Rio Grande as well as by American investors. The recent sanctioning by the Administration of the Brazilian debt plan and the extension of substantial credits to Peru are illustrative of this view.

"Good neighbor policy should work both ways. If these is to be understanding between the people of the United States and those of the Latin American republics, both sides must understand. The Administration's conception of reciprocity and its apparent definition of the term, viz., that we give and Latin Americans take, are economically unsound and ethically wrong, and should be revised. It cannot be done too soon."

Denying the implication by Senator Butler that Government expenditures in Latin America are a waste of American funds for political purposes, Professor Jordan declared that the "essence of the Good Neighbor policy is not a hand-out of favors by the United States to the 20 republics of Central and South America, but the satisfaction of a mutual interest in economic and political security and increased prosperity. Investments made in recent years have clearly resulted in military and economic advantages for all parties concerned; they must not be lost."

Dr. Jordan further stated:

"The central problem is, then, how capital investments and loans can be made safely. The answer is that investments have to be made more sanely than in the past. The excellent record of the Export-Import Bank proves that investments by public agencies for industrial development projects, road building, transportation equipment and similar ends approved by the governments can be made without the risk of losses that characterized the loan activities of American bankers in the 'twenties. There is no insurance against faulty investment practices except the safeguarding of public responsibility by suitable authorities. If that is secured, public investment policy can serve as a model for private investment which will also be necessary and should be encouraged.

"In any case, investments must be so placed, and under such conditions, that they aid the growth of new industries and the development of buying power in the borrower countries. Investments and loans will then repay in an enlarged import-export trade. New consumer masses for Ameriman industry will be found in countries which, in the course of political evolution, are striving toward freedom from the colonial economic system. Latin America will offer many opportunities for trade development which will contribute to the increase of world prosperity."

Senator Butler's criticism of the Administration's spending policies in Latin America was reported in our issue of Dec. 2, page 2233.

President Hails Moscow Pact As Welding Unity

President Roosevelt has described the recent Moscow agreements as another step in the unity which exists within the United Nations and making the unconditional surrender of the enemy inevitable.

This Presidential expression, disclosed on Dec. 4, was contained in a statement given The Army and Navy Journal, unofficial service publication, for a special "United States At War" edition, according to Associated Press Washington advices, which gave as follows the text of the statement, which was dated Nov. 15:

Indelibly written on the map of destiny are the fact and figures which foreshadow the doom of the evil men who brought the horrors of war upon humanity in pursuance of their design to enslave it. These facts and figures attest to the growing power of the United Nations and the employment of that power for the achievement of our common aims—freedom for all peoples, economic security for them, and realization of the age-long dream of furled battle flags in a federation of the world.

As we march with stout hearts toward the goal we have fixed we manifest our good faith by giving to those we liberate the rights and privileges democracy enjoys, and by pledging to them the peace of the good neighbor and denial of aggression through a system in which all sovereign nations, great and small, will have equal rights.

We are on the way to the achievement of our aims because of the unity which exists within the United Nationas and which increasingly has marked their military and political collaboration. That unity was forged domestically when the Japanese bombed our fleet at Pearl Harbor. Simultaneously it developed between the nations whose lands and populations were coveted by the greedy dictators, and it has flowered in the agreements signed at Moscow.

As a result we have become a single sword which combines in its strength all the resources of the Allied Powers, and it is being wielded as as if by a single brain and a single hand.

Not for a moment do we forget that our enemies continue to possess formidable force, nor that to bring about their destriction there must be no let-up in our effort. But their loss of a partner, their costly retreats everywhere and their diminishing capacity to wage war, make their unconditional surrender inevitable.

The path to that end will be tortuous and thorny to our feet, but inspiring us will be the humanity of our vision, and the invincible spiritual strength of the peoples of the United Nations.

An Attractive "Inactive"

Midland Valley first 4s offer an attractive situation for dealers, with promising possibilities for appreciation, preferring inactive issues according to an interesting memorandum just issued by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Copies of this memorandum may be obtained from Vilas & Hickey upon request.

Now R. D. Bayly & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Following the retirement from partnership in Bayly Brothers of Harold Bayly, the name of the firm has been changed to R. D. Bayly & Company. Partners of the new firm are Roy D. Bayly, member of the Los Angeles Stock Exchange, general and limited partner, and Donald D. Foss, general partner.

Brill Corp. Looks Good

The 7% cumulative preferred stock of Brill Corporation offers attractive possibilities, according to an interesting memorandum issued by Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum will be sent upon request by Buckley Brothers.

Railway Situation Has Interesting Possibilities

Adams & Peck, 63 Wall St., New York City, have prepared a brief resume of the plan of merger of the New York, Lackawanna & Western Railway. Copies of this interesting resume may be had upon request from Adams & Peck.

One Dollar Gets 10 Cents

Caswell & Co., 120 South La Salle Street, Chicago, Ill., have issued an analysis of an industrial peace stock, yielding about ten percent; copies of this analysis will be sent upon request by the firm.

Chicago Surface Lines

Chicago Surface Lines offer an interesting situation according to a memorandum being distributed by Adams & Co., 231 South La Salle Street, Chicago, Ill. Copies of this memorandum may be had from the firm upon request.

Nu-Enamel Interesting

Nu-Enamel offers interesting possibilities, according to a circular discussing this situation issued by T. J. Feibleman & Co., 41 Broad St., New York City. Copies of this circular may be had from the firm upon request.

Post-War Appraisal

An interesting post-war appraisal of the St. Louis-San Francisco railroad bonds has been prepared by Raymond & Co., 148 State St., Boston, Mass. Copies of this discussion may be obtained upon request from Raymond & Co.

Hettleman to Admit Kaufman

Ernst B. Kaufman will be admitted to partnership in the New York Stock Exchange firm of Hettleman & Co., 52 Wall Street, New York City, as of Jan. 1, 1944.

Haff With Ward & Co.

Whitman C. Haff has become associated with Ward & Co., 120 Broadway, New York City. Mr. Haff was formerly with Louis H. Whitehead Co.

Calendar Of New Security Flotations

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing (unless accelerated at the discretion of the SEC), except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930 (b).

Offerings will rarely be made before the day following.

SATURDAY, DEC. 11

CLEARING MACHINE CORPORATION

Clearing Machine Corporation has filed a registration statement for 20,000 shares of common stock, $1 par value. The shares registered are already issued and outstanding and do not cover new financing by the company.

Address—6499 W. 63rd Street, Chicago, Ill.

Business—Manufacture of metal working machinery.

Underwriting—Bacon, Whipple & Co., Chicago, head the list, with names of others to be supplied by amendment.

Offering—Price to public to be supplied by amendment.

Proceeds—The shares registered and to be offered are being sold by certain stockholders of the company who will receive the proceeds from the sale. The stockholders in the selling group and number of shares being sold are: Henry P. Isham, individually, 2,000; Henry P. Isham, trustee, 366; Henry P. Isham, trustee, 366; Henry P. Isham, trustee, 366; Elisabeth T. Isham, 796; John I. Shaw, nominee, 1,597, and Rudolph W. Glasner, 14,509. The latter is president, treasurer and director and held prior to proposed sale 30,272 shares.

Registration Statement No. 2-5258. Form S-1. (11-22-43.)

SUNDAY, DEC. 12

DIVIDEND SHARES, INC.

Dividend Shares, Inc., filed a registration statement for 12,500,000 shares of capital stock, 25 cent par value.

Address—1 Wall Street, New York City.

Business—Investment company.

Underwriting—Supervised by Calvin Bullock.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5259. Form S-5. (11-23-43.)

WEDNESDAY, DEC. 15

HOME INSURANCE CO. OF HAWAII, LTD.

Home Insurance Co. of Hawaii, Ltd., has registered 20,000 shares of common stock, par value $20.

Address—Honolulu, Hawaii.

Business—General insurance.

Underwriting—No underwriter named.

Offering—Stock is to be offered to stockholders through warrants at $30 per share, of which 7,683 shares to be taken by Castle and Cooke, Ltd., for investment; 6,407 shares to be taken by Hawaiian Trust Co., Ltd., for investment; shares representing warrants which are not exercised and full shares representing fractional interests will be auctioned at an upset price of $30 per share on Jan. 31, 1944, or such subsequent date as board of directors may determine and proceeds in excess of $30 per share will be distributed to stockholders whose subscription rights are not exercised or whose fractional interests are sold. If shares sold at auction are underwritten terms will be filed by post-effective amendment.

Proceeds—For capital and surplus.

Registration Statement No. 2-5260. Form S-1. (11-26-43.)

SATURDAY, DEC. 18

P. R. MALLORY & CO., INC.

P. R. Mallory & Co., Inc., has filed a registration statement for 60,000 shares of 4¼% cumulative convertible stock, par $25 per share, and 60,000 shares of common, without par value, latter reserved for the conversion of the preferred stock.

Address—3029 East Washington Street, Indianapolis, and 6 East 45th Street, New York City.

Business—Business consists of the manufacture and sale of specialized metallurgical, electrical and electronic products, for a wide range of applications in the aeronautical, automotive, electrical, radio, communication, transportation and general industrial fields.

Underwriting—Lee Higginson Corporation.

Offering—Price to public plus accrued dividends from Oct. 1, 1943, will be filed by amendment.

Proceeds—Will be added to the general funds of the company. Company is obtaining these additional funds with a view to using them in connection with conversion from wartime to peacetime operations and the re-establishment and expansion of its peacetime business.

Registration Statement No. 2-5261. Form A-2. (11-29-43.)

STOKELY BROTHERS & CO., INC.

Stokely Brothers & Co., Inc., has filed a registration statement for $4,000,000 15-year 3½% sinking fund debentures, due Dec. 1, 1958.

Address—941 North Meridian Street, Indianapolis, Ind.

Business—Engaged principally in the purchase, processing, packing and dehydrating and sale of an extensive line of vegetables and fruits.

Underwriting—Blyth & Co., Inc., and Reynolds & Co. are named principal underwriters. Others will be named by amendment.

Offering Price to the public will be supplied by amendment.

Proceeds—Will be used to retire, at 100½% of the face amount, all of the 2¾% promissory notes of the company in the principal amount of $2,000,000; retire 3% promissory notes aggregating $800,000 and to provide additional working capital.

Registration Statement No. 2-5262. Form S-1. (11-29-43.)

MONDAY, DEC. 20

20 CEDAR STREET, INC.

Lucius Teter, John R. Fugard and Frank M. Mackey, trustees, have filed a registration statement for voting trust certificates for 14,519 common shares, par $1, of 20 Cedar Street, Inc.

Address—Of issuer, 135 South La Salle Street, Chicago.

Business—Apartment house.

Underwriting—None named.

Offering—As soon as practicable after registration statement becomes effective.

Purpose—To extend present trust agreement which expires July 19, 1944, for a period of 10 years to July 19, 1954.

Registration Statement No. 2-5263. Form F-1. (12-1-43.)

MAJESTIC RADIO & TELEVISION CORPORATION

Majestic Radio & Television Corporation has filed a registration statement for 70,925 shares of common stock, one cent par value. The shares of stock to be offered are already issued and outstanding.

Address—2600 West 50th Street, Chicago.

Business—Production and sale of radio receiving sets. Present production consists of radio and electronic equipment, manufactured for the Army and Navy.

Underwriting—Jenks, Kirkland & Co., Phila., is named underwriter.

Offering—Price to the public is $3.75 a share, and net proceeds to the selling stockholders $3.125 per share. Names of selling stockholders and amounts to be sold by them are: Edward F. Barile, 500; Mrs. Cora Casagrande, 5,000; Dudley E. Foster, 1,000; Mrs. Margaret Foster, 980; Mrs. Florence Freese, 1,000; Joseph J. Neri, 500; Mrs. Marie L. Tracey, 56,945, and Mrs. Janet M. Van Meter, 5,000.

Proceeds—All will be received by the selling stockholders.

Registration Statement No. 2-5264. Form S-1. (12-1-43.)

TUESDAY, DEC. 21

GRAHAM-NEWMAN CORPORATION

Graham-Newman Corporation has filed a registration statement for 8,040 shares of capital stock, minimum stated value of $50 per share.

Address—52 Wall Street, New York.

Business—Investment company.

Underwriting—Graham-Newman Corporation is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5265. Form S-5. (12-2-43.)

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

DERBY GAS & ELECTRIC CORP.

Derby Gas & Electric Corp., a subsidiary of Ogden Corp., registered 91,577 shares of its common stock without par value with the SEC. This stock is already issued and outstanding, and the shares are not being offered by or for the account of the company. They are to be sold by Ogden Corp., as part of its plan to dispose of its public utility investments in accordance with the Public Utility Holding Company Act of 1935.

Address — One Exchange Place, Jersey City, N. J.

Business — The company is engaged primarily in the generation, distribution and sale of electric energy and manufactured gas.

Underwriting—Ogden Corp., after the registration becomes effective, will publicly invite sealed proposals for the purchase or underwriting of these shares. The result of the bid opening will be filed by amendment later.

Offering—Terms will be filed by amendment later.

Registration Statement No. 2-5213. Form S-1. (9-15-43).

Amendment filed Nov. 11, 1943, to defer effective date.

(This list is incomplete this week)

HAnover 2-0050 Teletype—N. Y. 1-971
Firm Trading Markets
SOUTH AMERICAN BONDS
all issues
CARL MARKS & CO. INC.
FOREIGN SECURITIES
SPECIALISTS
50 Broad Street New York 4, N. Y.
AFFILIATE: CARL MARKS & CO. Inc. CHICAGO

For Dealers . . .
Minneapolis & St. Louis
Railway Co.
New Common Stock
Bought—Sold—Quoted
Kobbé, Gearhart & Company
INCORPORATED
Members New York Security Dealers Association
45 NASSAU STREET, NEW YORK 5
TELEPHONE REctor 2-3600 PHILADELPHIA TELEPHONE ENTERPRISE 6015 BELL TELETYPE NEW YORK 1-576

"Our Reporter On Governments"

By S. F. PORTER

It's the little things which are happening in the Government bond market today that tell us the Treasury and Federal Reserve are determined to ease the money situation sufficiently to insure the success of the January drive. . . . None of the moves, by itself, is important. . . . Even together, the announcements and steps taken to date aren't greatly impressive. . . . But they indicate the trend of thinking and the mood of the authorities. . . . Which is as significant a development as we want at this stage of the game. . . .

For instance, the Treasury is redeeming the $420,971,000 of 1⅛% notes due Dec. 15. . . . And it paid off $280,000,000 of the certificates of indebtedness rolled over Dec. 1. . . . That's a total of $700,000,000 added to the money market in two small operations. . . . Also, the Federal Reserve Banks have been in the market on a large scale recently and may be expected to continue active. . . . A fortnight ago, purchases for a seven-day period amounted to $532,000,000, of which $80,000,000 represented buying of certificates, notes and bonds. . . . Open market operations surely will be maintained as long as the market needs the help and, judging from the figures and the lack of spirit in the list, the market does need the support. . . .

Excess reserves now are around the $1,000,000,000 mark for the country as a whole, and the New York market is as tight as ever. . . . While the over-all total doesn't seem so bad, the maldistribution is serious enough to warrant strong action when the Fourth War Loan gets within talking distance. . . .

And that leads into the current rumor that "something may be done soon with reserve requirements." . . .

A CUT IN REQUIREMENTS?

The Treasury can pay off a bit of debt here and there, but that's a minor supporting move at best. . . .

The Federal Reserve can maintain its high-speed open market operations but the help there will be offset in major part by the money circulation increase in December, so the net effect of open market buying may be to keep matters under control. . . .

What's next? And what really would be effective? A reduction in reserve requirements, of course; and although this observer has nothing official to go by at this moment, the fact is a cut is being rumored about with more and more frequency in Wall Street. . . .

One story is that a change will be announced toward the end of this month. . . . Coincident with the worst reports of money withdrawals from the commercial banks. . . . And before the January reinvestment period and the Fourth War Loan become dominant factors. . . .

If this does happen, it may be a restricted move and designed for psychological as much as actual effect. . . . And if the story is talked about enough, actual moves may be made unnecessary. . . . For, as you know, psychology plays a mighty important role in the market. . . . And all that's needed is a real rally in prices to make every one forget the recent discussion of "a top being reached in high-grade bond prices." . . .

To sum it up, the chances are Governments will be put into good shape in time for Jan. 18. . . . The odds favor additional action to ease the money situation and possibly the strong step of a reduction in reserve requirements. . . .

And while there's not much hope for any important rally in Governments between now and the Fourth War Loan, the indications today are that the market has seen its bottom, for the time being. . . .

INSIDE THE MARKET

The 2s have been in a close technical position at several recent trading times. . . . "Locked markets" have been frequent, as for example, the hours last week when the 2s were bid at "3/32 plus" and offered at "3/32 plus." . . . Rare are the times when a bond may be bought and sold at the same price in the over-the-counter market. . . .

Still much bewilderment in Wall Street over the failure of institutions with idle cash to take advantage of the interest carry between now and the time when new bonds may be bought at par. . . . Particularly on the 2s and 2½s, which are selling so close to par that the 2 and 3/32s cost for purchase is overwhelmed by the interest to be obtained over the next 35 days. . . . Even if sale is indicated at that time so that the institution may enter the Fourth War Loan. . . .

One thing is considered certain. . . . Neither the 2s nor the 2½s will be permitted to fall below par between now and January 18 or between then and late February. . . . Which means the buyer has a bottom at par. . . . Is paying only a small premium to get his bonds. . . . Is picking up interest at 2 or 2½% for more than a month. . . .

If you have any idle cash sitting around, it's a good deal. . . . Think it over and act before the market gets out of your reach. . . .

Insurance companies reported to be looking at the new 2¼s for purchase this time. . . . Story is, several big buyers of 2½s in the past have indicated to dealers that they hold enough of that coupon and maturity classification and will switch over into the shorter-maturing 2¼s of 1959/56 in January and February. . . .

That will mean emphasis on the 2¼s right down the line, from corporations to insurance companies to banks—buying as many of the bonds as they are permitted under the Treasury's limitations. . . .

One gossip is that the 2¼s will be worth ¼ point premium by mid-February. . . . Assuming the market is stabilized at a level slightly above the current mark. . . .

Free riding restrictions talked of more and more. . . . Seems that Secretary Morgenthau is determined to prevent people from buying large totals on margin and making interest on the money borowed from banks. . . . It will take severe restrictions to cut out the major speculators and Morgenthau will be risking a lot if he goes too far. . . .

MATURITY SCHEDULE

With the December 1⅛s being paid off and the Treasury taking in a good chunk of the certificate issue, attention is focused on the refunding schedule ahead of the Government for the next 12 months. . . . To summarize in two words, "it's terrific." . . .

And to comment further, it indicates the great need for easing up on the short-term debt and getting more securities into the longer-term classifications. . . .

And one more thing. . . . It suggests the tremendous need for continued low money rates, for Morgenthau simply can't afford to refund these debts at high rates. . . .

In addition to the huge certificate and bill maturities, the big deals will involve $1,519,000,000 3¼s, up for call April 15. . . . $1,037,000,000 4s, up for call Dec. 15. . . . About $2,000,000,000 notes, due in March, June and September. . . . And five issues of guarantees, representing the FFMC, the HOLC, the RFC and the USHA. . . .

Finds Full Disclosure Full Of Headaches

Editor, The Commercial & Financial Chronicle:

We are beginning to hear about the so-called Full Disclosure Rule and decided to give it a try on a recent transaction. Thinking you might be interested we would like to tell you about it.

The bank with whom we have done business for 10 years or over recently called us for a quotation on an over-the-counter security. They depend upon us for this information and we try to keep ourselves prepared to serve them. We informed them we could get $18 per share and they asked us to sell 15 shares. A 5% mark-up on this stock, which we assume would have the approval of the N. A. S. D., would have given us $11.40, but we preferred in this instance to act on an agency basis and executed the order with a commission charge of $7.50. We know that our fixed charges run approximately $5 on every transaction, so we had $2.50 in the deal to squander and felt pretty good about it. Delivery was taken and the money changed hands. Unfortunately, however, the stock was not in good delivery form and we found it necessary to transfer prior to redelivery. That took a little of our $2.50, but we were still in the clear. Today we were informed by the bank that their client ran a slight temperature when this $7.50 charge was revealed to him. He even went so far as to check with a local branch of a New York Stock Exchange house who told him that the transaction could have been handled by them under their minimum charge rule of $5, so we gave them back what was left of the $2.50 and now assume that the client in question is happy.—An Upper New York State Dealer.

HAY, FALES & CO.
Members New York Stock Exchange
71 Broadway N.Y. BOwling Green 9-7027
Bell Teletype NY 1-61

INDEX

Page
Bank and Insurance Stocks..........2333
Calendar of New Security Flotations.2339
Canadian Securities..................2319
Investment Trusts 2320
Municipal News and Notes..........2338
Our Reporter's Report...............2336
Our Reporter on Governments......2340
Public Utility Securities............2316
Railroad Securities...................2313
Real Estate Securities...............2316
Security Salesman's Corner..........2336
Tomorrow's Markets—Walter Whyte Says 2314

Missouri Pacific R.R.
Old Common & Pfd.
Chicago, R. I. & Pac. Ry.
Old Pfd.
Chicago & N. W. Ry.
Old Pfd.
Chgo., Mil. & St. Paul R.R.
Old Pfd.
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To Form Mol & Co.

The New York Stock Exchange firm of Mol & Co. will be formed as of Jan. 1, 1944, with offices at 1 Wall Street, New York City. Partner will be A. A. Mol, the Exchange member, and George L. Murray, general partners, and Isabel S. Mol, limited partner.

Mr. Mol has recently been active as an individual floor broker. Prior thereto he was a partner in Granberry & Co.

Coca-Cola Bottling Situation Attractive

Reynolds & Co., 120 Broadway, New York City, members New York Stock Exchange, have prepared statistical data on Coca-Cola Bottling Companies of Chicago, St. Louis, New York, Cincinnati and Los Angeles. Copies of these interesting data may be had upon request from Reynolds & Co.

Mackubin, Legg & Co. To Admit Three to Firm

BALTIMORE, MD.—Mackubin, Legg & Co., 22 Light Street, members of the New York and Baltimore Stock Exchanges, will admit John C. Legg, III, William M. Legg, and Eleanor P. Long to limited partnership in the firm as of Dec. 16.

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In 2 Sections—Section 2

The Commercial and

FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 158 Number 4236

New York, N. Y., Thursday, December 9, 1943

Price 60 Cents a Copy

The Financial Situation

It was, of course, inevitable that any official statement finally made public concerning the conversations of the "big three" in Iran would be in the nature of an anti-climax. It is not known, of course, what was done at these gatherings—and it is not reasonable for the public to expect to be told in any detail now what went on—but it would appear that the value of the meeting as a morale builder within the various United Nations and as a weapon with which to injure morale in enemy countries must have almost vanished before the gathering adjourned.

The earlier meetings in Cairo of the heads of the governments of Great Britain, the United States, and China, somehow seemed in part at least, to avoid the anti-climax of the Teheran discussions. At all events the pronouncement which followed them contained an element of the unexpected which provided a certain dramatic touch. It is difficult to believe that this bald announcement of the fate intended for Japan is likely to render that nation less ready to fight to the end, since it appears that little or nothing else is left for it to do. The treatment prescribed would quite effectively erase that nation from the list of first class powers—or even of second, third or fourth class powers. Presumably, it was believed that the Chinese were in need of some such tonic, and, of course, it may well be that such a consummation would be far from unwelcome to Russia.

"Realpolitik"?

But, whatever was done at either or both of these gatherings, the observer obtains the impression that what used to be termed "realpolitik," rather than the vague and meaningless Atlantic Charter, was the guiding spirit both in Cairo and in Teheran. Had it been otherwise not only China, but

(Continued on page 2344)

From Washington Ahead Of The News

By CARLISLE BARGERON

Sometime ago Mrs. Roosevelt aroused indignation in Republican circles when she was shown in a newsreel putting the Republicans and the Japs in the same boat as regards dislike of her husband. You remember the story. It was old at the time she told it. It was to the effect that a young Marine wanting a Jap trophy was told to go out in No Man's Land and yell "To hell with Hirohito." The Japs would stick up their heads and he could then shoot them. He returned empty-handed and by way of explanation, said the Japs yelled back at him: "To hell with Roosevelt."

"How could I shoot my fellow Republicans?" the boy was said to have asked.

Mrs. Roosevelt explained it was her husband's favorite joke, and you should have heard the Republicans in Congress getting indignant about it.

As a matter of fact it was quite revealing. Mr. Roosevelt has from the beginning considered it more or less his own personal war, or that of him and Winnie versus Hitler. He used to shout back and forth across the ocean at Hitler telling him he intended to kick his pants off, and Hitler would taunt him back. He kept telling Hitler he would show him and he's doing it. He has called on the rest of us to help him out and we've responded right nobly.

We've never liked the personalization of this war. We all know that if anything were to happen to him, or to Churchill, the war would go right on. But he doesn't think that, and we doubt if Churchill does. In their thinking it's a score to settle between them and Hitler.

Hitler and Mussolini used to meet at the Brenner Pass. There would be an awful lot of propaganda about it. Our propagandists who for their own particular reasons argue that propaganda is more vital than bullets, got to calling this a war of nerves. So Messrs. Roosevelt and Churchill meet in the North Atlantic; at Casablanca; at Quebec; at Cairo and now, the greatest of all events, an event so spectacular as to confound the imagination, they meet Stalin at Teheran. You gather that is supposed to be equivalent to the birth of civilization which took place there.

At Quebec, Churchill and Roosevelt reached an all-out plan, and communicated it to Stalin; at Casablanca before they reached another one; a few weeks ago Hull and Stalin in a perfectly epochal thing, reached an all-out accord at Moscow; now an all-out history-making accord is reached by the Big Three at the birthplace of civilization.

Always, the President takes members of his family along to be in on the history-making event. This time there was son Elliott and son-in-law John Boettinger and then there was Harry Hopkins' son. They had an awfully good time drinking vodka with

(Continued on page 2347)

Treasury Proposals For Raising Corporation Taxes Shake Nation's Economic Foundations: Friedman

Treasury proposals for raising corporation income taxes from 40% to 50% were criticized on Dec. 3 by Elisha M. Friedman, New York consulting economist, as aggravating inflation and checking post-war employment. In a statement presented to the Senate Finance Committee, Mr Friedman contended that the tax deters the taking of risk and stimulates the search for security. He further said that Treasury proposals for raising corporation income taxes "shake the economic foundations of the country."

Regarding the provision in the House-approved bill to raise the excess-profits tax from 90% to 95%, Mr. Friedman said that "this would not be an unreasonable proposal if we had not, in 1941, changed the sequence of deducting the tax", adding that "as a sound and realistic program, the corporation income tax should be deducted before excess profits tax" if the rate is raised to 95%. As a minimum program, Mr. Friedman said that, if the "present unsound and unrealistic sequence is retained, the rate of 90% of excess profits tax should not be raised, and the invested capital base should not be lowered to 4%."

Mr. Friedman urged the Senate Finance Committee to consider the following recommendations on corporation income tax: (a) Permit increased reserves for wartime depreciation; (b) Exempt amortization of debt; (c) Permit reserves for economic transition to peace; (d) Treat preferred stock dividends exactly like bond interest; (e) Tax publicly-owned corporations competing with private enterprise, and (f) Shift the corporation tax to the British basis after the war.

The tax bill was approved by the House on Nov. 24, and details of the measure as passed by that body were given in these columns Dec. 2, pps. 2206 & 2226; in that item mention was made of the fact that the Senate Finance Committee began consideration of the bill on Nov. 29—Mr. Friedman's statement to that committee follows in full.

The Treasury proposes that corporation income tax be raised from 40% to 50%. Such increase in corporate taxes will not control, but aggravate inflation. Heavy corporate income taxes will check post-war employment. The stockholder who takes the ultimate risk is penalized. The bondholder is favored. As corporate income tax rates rose from about 13% in 1936 to 40% in 1942, **new stock issues declined from 32% to 3% of new bond issues.** The tax deters the taking of risk and stimulates the search for security. What sort of America will this create?

The tax compelled small business to shift from corporations to partnerships. The tax deters efficiency. Increased costs of wages and materials are virtually paid by the Treasury. For the first half of 1943, wages in United States Steel rose $75,000,000 and Federal taxes fell $64,000,000.

Taxes are paid in cash. But earnings are not in cash. High corporation taxes impair the liquidity of corporations. Since 1940, the liquidity ratio has declined from 266% to 199% as the corporation tax rose from 24% to 40%. Therefore, a rising corporation tax is a new risk against the borrower. The commercial banker and private investor must gamble on possible future unsound tax measures which may jeopardize the loan. A corporation tax on top of an individual income tax constitutes severe double taxation.

Under Treasury proposals, this combined tax will exceed the corresponding British normal individual income tax of 50%. A corporation income tax destroys the tax exemption of colleges and hospitals.

In both the U. S. and Great Britain, government bond yields declined about 20% since September 1939. In Great Britain common stock yields declined sympathetically about 28%. Stock prices rose. But in the United States common stock yields rose 24%. Stock prices fell. The American investor was frightened by reckless and unreasonable taxation on corporations. He took refuge in bonds. Such tax policy penalizes expanding plant through stock issues.

Treasury proposals for raising corporation income taxes shake the economic foundations of the country. This is not so in Great Britain. All the evil effects of our corporation income tax are significantly absent in Great Britain.

(Continued on page 2347)

GENERAL CONTENTS

Special Articles in Section 1

Employees Profit-Sharing and Retirement Trusts.
Our Anti-Trust Policy.
World Inflation: War and Post-War.

Editorial

Page
Financial Situation................2341

Regular Features

From Washington Ahead of the News..........................2341
Moody's Bond Prices and Yields....2352
Items About Banks and Trust Cos...2356
NYSE Odd-Lot Trading.............2355

State of Trade

General Review 2341
Commodity Prices, Domestic Index.2353
Weekly Carloadings.................2355
Weekly Engineering Construction...2353
November Totals 2352
Paperboard Industry Statistics......2355
Weekly Lumber Movement..........2353
Fertilizer Association Price Index...2354
Weekly Coal and Coke Output......2353
Weekly Steel Review...............2351
Moody's Daily Commodity Index....2352
Weekly Crude Oil Production........2354
Non-Ferrous Metals Market.........2354
Weekly Electric Output.............2353
SEC Report on Individuals' Liquid Savings in Third Quarter.........2350
Federal Res. Oct. Business Indexes..2351
Cotton Ginnings Prior to Nov. 14...2351
Living Costs Up in Sept. 15-Oct. 15 Period 2352

Roger Babson Makes Forecast For Politics, War And Business in 1944

Sees Roosevelt Delaying Acceptance Of Renomination Until Assured Of Election

According to Roger W. Babson, "there are three primary things which apparently interest business men when considering 1944." "They are," he said, "POLITICS—the WAR—and BUSINESS." With respect to the three, he had the following to say at the Conference of Business Men held at the Hotel Astor in New York on Dec. 6.

Politics

Roger W. Babson

The Democratic Convention for 1944 will be later than usual and may not come until August. Mr. Roosevelt would like to be nominated if he is sure of re-election, but will wait until the very last moment before deciding whether or not to accept the nomination. He is absolutely determined to run no chance of being defeated.

If Mr. Roosevelt does run he will insist upon a strong Vice-Presidential candidate so that after the war he can resign and accept the Presidency of the new World Organization if it is offered to him. Mr. Wallace will not be re-nominated for the Vice-Presidency. As to who will be his successor on the Democratic ticket the suggestions include Byrnes, Byrd and even Willkie.

The Republicans are sure to get a majority of the new House of Representatives and probably six more Senators. However, if Germany is still fighting late in 1944 and Roosevelt runs, he is certain of re-election; but otherwise the Republicans have a good chance of winning the Presidency. As to who the Republican candidates may be, I am not prepared now to forecast.

The War Outlook

Winston Churchill, of course, is very anxious that Mr. Roosevelt be re-nominated and re-elected; also Stalin is inclined to agree with him. Therefore, Mr. Churchill may not hurry the European cam-

(Continued on page 2348)

Why Food Is Short

"Nobody outside the Government can have accurate information about how much, but it is known there are quantities of foods in danger of spoilage if they are not moved. Reduction in frozen point values can be traced to the glut.

"Among items that are not improving with age are butter, frozen cream and eggs, as well as frozen fruits and vegetables. In addition, there are foods on docks and under sheds without proper protection. Situation seems general throughout the country, but is particularly acute in the eastern seaboard areas and in the feeder cities behind the ports.

"Approximately 30 different programs are in various stages of development by the Inventory Review Committee of the Food Distribution Administration. Several are about ready for public announcement that quantities of foods will be released to civilian channels. It is the determination of the committee to bring Government holdings into line with actual requirements—no small job.

"Within the next 30 days there will be news on the following items being offered back to the trade: some 520,000 cases of evaporated milk, 25,000,000 pounds of canned pork and beans, 1,000,000 pounds of soup powder, quantities of canned peas and canned tomatoes, in addition to those already announced; some 655 tons of raisins—this from Government stocks and not from 1943 reservations; canned apples, about 2,000,000 pounds of dried eggs, a yet-to-be-determined amount of shell eggs, salted spareribs, citrus concentrates and cotton ticking."
—American Institute of Food Distribution, Inc.

The public is not permitted to have the full facts about food, but such fragments of information as these strongly suggest why there are "shortages" of many food items.

U. S., Britain And China Reach Agreement On War Against Japan At Cairo Conference

President Roosevelt, Prime Minister Churchill and Generalissimo Chiang Kai-shek have agreed upon future military operations against Japan and resolve to strip that country of all the territory she has gained by aggression in the last 50 years. This was officially disclosed on Dec. 1 in a joint communique issued in Cairo, Egypt, which further said that the three Allied leaders, together with their military and diplomatic advisers had completed a conference in North Africa. The meetings were reported to have been held for five days, Nov. 22-26.

The general statement also said that the three Allies "have no thought of territorial expansion" and will continue to persevere to force the "unconditional surrender of Japan." Return of territories taken from China and a free Korea were also pledged.

The text of the communique was given as follows in United Press Cairo advices:

A press communique states that President Roosevelt, Generalissimo Chiang Kai-shek and Prime Minister Churchill, together with their respective military and diplomatic advisers, have completed a conference in North Africa.

The Official Communique

The following general statement was issued:

The several military missions have agreed upon future military operations against Japan.

The three great Allies expressed their resolve to bring unrelenting pressure against their brutal enemies by sea, land and air. (As issued at Washington the communique added: "This great pressure is already rising.")

The three great Allies are fighting this war to restrain and punish the aggression of Japan.

They covet no gain for themselves and have no thought of territorial expansion.

It is their purpose that Japan shall be stripped of all the islands in the Pacific which she has seized or occupied since the beginning of the first World War in 1914, and that all the territories Japan has stolen from the Chinese, such as Manchuria, Formosa and the Pescadores, shall be restored to the Republic of China.

Japan also will be expelled from all other territories which she has taken by violence and greed.

The aforesaid three great powers, mindful of the enslavement of the people of Korea, are determined that in due course Korea shall become free and independent.

With these objects in view, the three Allies, in harmony with those of the United Nations at war with Japan, will continue to persevere in the serious and prolonged operations necessary to procure the unconditional surrender of Japan.

A Supplementary Communique

The conference was attended on behalf of the United States by Admiral William D. Leahy, General George C. Marshall, Admiral Ernest J. King, General H. H. Arnold, Lieutenant General B. Somervell, Major General Edwin M. Watson, Rear Admiral Wilson Brown, Rear Admiral Ross McIntire, Harry Hopkins, W. Averell Harriman, Ambassador John G. Winant, Ambassador Laurence A. Steinhardt, Lewis Douglas and J. J. McCoy.

The British representatives were Foreign Secretary Anthony Eden, Lord Leathers, Sir Alan Brooke, Sir Charles Portal, Sir Andrew Cunningham, Sir John Dill, Sir Hastings Ismay, General Sir Thomas Riddell-Webster and Sir Alexander Cadogan.

The Chinese mission included, among others, General Shang Chen, Dr. Wang Chung-hui, Vice-Admiral Yang Hsuan-chen and Lieutenant General Chou Chih-jou. Generalissimo Chiang Kai-shek was accompanied by Madam Chiang Kai-shek.

The State Of Trade

Most of the heavy industries showed declines during the Thanksgiving holiday week, but retail trade continued to climb as Christmas shopping gained momentum. Industrial production is believed to be now at its wartime peak. The Federal Reserve Board's revised index reached new high ground in October at a level of 145% above the 1935-1939 average. Subsequent data on leading components suggest a further slight rise for November and projections indicate that the absolute peak will be recorded this month. As military requirements lessen civilian production will be permitted to expand to take up any slack in either manpower or materials.

Production of electricity dropped sharply during the Thanksgiving week ended Nov. 27th, to 4,403,342,000 kilowatt hours from the all-time high of 4,513,299,000 reached the week before, according to the Edison Electric Institute. This was 16.9% above the year-ago total of 3,766,381,000. Consolidated Edison Co. of New York reports system output of 209,100,000 kilowatt hours in the week ended Nov. 28th, an increase of 37.1% over the year-ago total of 152,400,000. Local distribution increased 37.2% to 205,600,000 kilowatt hours from 149,800,000 a year ago.

Carloadings of revenue freight for the week ended Nov. 27th, totaled 820,082 cars, according to the Association of American Railroads. This was a decrease of 62,205 cars from the preceding week this year, 76,618 cars more than in the corresponding week in 1942 and 46,098 cars under the same period two years ago. This total was 124.45% of average loadings for the corresponding week of the ten preceding years.

Steel production in the United States is scheduled this week at 99.3% of ingot and casting capacity, against 99.5 last week and 98.6 a year ago. At 99.3%, output for the week is indicated at 1,730,700 net tons, against 1,734,200 tons last week and 1,686,700 tons in the like 1942 week.

Civil engineering construction in continental United States for the short holiday week totaled $36,523,000. This, not including construction by military engineers abroad, contracts outside the country and shipbuilding, was 45% below the corresponding 1942 week, and compared with $68,931,000 reported by Engineering News-Record for the preceding week. Public construction was 38% lower than in the 1942 week as State and municipal work and Federal construction declined 85% from a year ago. Current volume brings 1943 construction to $2,885,384,000, an average of $61,391,000 for each of the 47 weeks of the period.

Christmas shopping gained momentum during the past week and retail trade volume averaged 16 to 19% above the like 1942 week, according to Dun & Bradstreet, Inc. Favorable shopping weather over the week-end and the suggestion that gift packages be mailed earlier than usual stimulated consumer buying on gift lines, the agency said, and reports indicated that some items are already running short, with replacements difficult. The unusual demand at retail, meanwhile, was reflected in wholesale trading and most wholesalers were reported booked up on current merchandise, with little possibility of accepting new business for the remainder of this year.

Department store sales on a country-wide basis were up 13% for the week ended Nov. 27th, compared with the like period last year, according to the Federal Reserve System. Store sales for the four-week period ended Nov. 27th were up 15%, compared with last year.

Department store sales in New York City in the week ended Dec. 4th, were 5% larger than in the corresponding week of last year, according to a preliminary report issued by the Federal Reserve Bank of New York. In the previous week ended Nov. 27th, sales of this group of stores were 14% larger than in the like 1942 period.

Agriculture Department economists state that farm income is running about 28% above last year, as compared with a non-farm rise of 20% and that farmers will earn about $18,000,000,000 in 1943. Against these statistics, the economists set reports prepared by the Agriculture Department and the Bureau of Labor Statistics showing that living costs have increased about 10% during the past year and are now at the highest level since World War I.

Warning that the inflationary gap between living costs and national income is spreading rapidly, the economists estimated national income this year at $145,000,000,000—one-third greater than estimated civilian expenditures. Of this total, approximately 25% of the population living on farms will get about 13%, it was estimated.

Foresees Stabilization Program To Combat Post-War Monetary Disturbances In Latin-Am.

Anticipating that the greatest monetary disturbances in Latin America will follow the war, Charles A. McQueen, Washington economist, says that these countries probably would consider a three-point stabilization program including conservation and employment of accumulated gold and foreign credits. The other points, he says, would be sound measures to sustain industry and productive effort in other regions, and participation in credits, if necessary, on exports that are of positive rehabilitating value.

Mr. McQueen, Assistant Development Director of the Office of the Coordinator of Inter-American Affairs, and an expert in Latin American economic and financial affairs, emphasizes that in the absence of official expressions the program was conjectural.

Largely because of the material and moral support of the program of "hemisphere solidarity" implemented since 1940, Mr. McQueen says Latin America has been spared many of the trials of other regions during the present war. He adds:

"However it will be greatly affected by post war conditions, because of its needs for markets and because a world-wide money disaster would destroy buying power in those markets.

"All of the Latin American currency systems are based on gold," he says, in a paper published by The Monetary Standards Inquiry of New York, "not in the sense that gold coins circulate, but in the sense that their paper money, like that of the United States, has a legal relationship to gold that is expressed in some more or less definite terms. Latin America as a whole makes moderate use of silver coins, all on a subsidiary basis, Mr. McQueen says.

"There is no advocacy of the silver standard, although occasional isolated remarks are heard in the produciing countries to the effect that 'something might be done for silver,'" he states.

International bimetallism, in Mr. McQueen's opinion, would benefit silver producers in Latin America if it meant that the price of silver was to be advanced considerably in terms of gold, and if this price were sustained by effective international control. Mr. McQueen, former chief of the Latin American Division of the Bureau of Foreign and Domestic Commerce, advocates an Inter-American Bank as a meeting place for those who manage the autonomous currency systems of the hemisphere. Mr. McQueen is one of the twelve economists who are contributing to a study of the post-war settlement of international balances between nations being conducted by the inquiry. Papers previously published were by Amos E. Taylor, Director of the Bureau of Foreign and Domestic Commerce; E. E. Agger, New Jersey's Commissioner of Banking and Insurance (referred to in our issue of Oct. 14, page 1508), and Prof. Frank D. Graham of Princeton University to which reference appeared in our Nov. 18 issue, page 2036.

Post-War Depression In U. S. Avoidable Frances Perkins States

Frances Perkins, Secretary of Labor, in an address in Boston, at the Charles Street Forum, on Nov. 28, declared that there would not be and "need not be a depression" after the war, said an Associated Press dispatch, from Boston, the same day, which went on to say:

The Secretary explained a depression resulted when "every line of work, business and employment shrinks simultaneously."

She urged that every help be given by the government, employers, trade unions and the general public.

"For a long pull after the immediate problem of demobilization is over all those who are interested in the welfare of workers recognize that industrial practices must be developed by private industry consciously to prevent business declines and unemployment," she said.

The United States Employment Service will be of prime importance in the Post-war period as an agency to bring workers and jobs together, Secretary Perkins declared.

Murphy, Starling Retire From Secret Service

Joseph E. Murphy, Assistant Chief of the United States Secret Service since 1919, who more than any other one man has carried personal responsibility for the safety of Presidents of the United States, retired from active service on Nov. 30. Mr. Murphy is 65 years old.

The announcement issued by the Treasury Department also said:

"For most of his 45 years with the Secret Service Mr. Murphy's major assignment has been guarding or directing the protection of seven Chief Executives, from Theodore Roosevelt to Franklin Delano Roosevelt. Yet during this period he figured prominently in scores of counterfeiting and other law enforcement investigation, including the Teapot Dome oil frauds case.

"Mr. Murphy is the second veteran Secret Service intimate of presidents to retire this year. Col. Edmund W. Starling retired on Nov. 1 after 29 years with the White House Detail. Col. Starling joined the Service in 1914, served under Mr. Murphy, like Mr. Murphy accompanied President Wilson to the Versailles peace conference and on his later European tour, and participated in the protective arrangements thrown about subsequent presidents at home and abroad. Col. Starling headed the White House Detail for seven years."

ABA Demands End To Government-Subsidized Competition Of Production Credit Associations

The demand of the nation's banks for the elimination of the unfair Government subsidized competition of Production Credit Associations, made possible by the income they enjoy on the $120,000,000 of Government capital subsidy, was placed before Congress by the American Bankers Association recently in four days of hearings held by the Select Committee of the House Committee on Agriculture to investigate the activities of the Farm Security Administration. Representative Harold D. Cooley of North Carolina presided over the hearings as Chairman of the Select Committee.

The presentation for the banks was begun by Mr. F. G. Addison, Jr., as Chairman of the Committee on Federal Legislation of the Association, who read the ABA statement of position with respect to the Production Credit System, as was announced in St. Louis on Nov. 11 and referred to in these columns—Nov. 25, page 2133. The final argument was made by A. L. M. Wiggins, President of the ABA. The opening statement of the case of the banks was made by C. T. O'Neill, as Chairman of the ABA Subcommittee on Agricultural Credit of the Committee on Federal Legislation.

In closing the presentation, Mr. Wiggins said:

"We come to present to you not an attack on cooperative enterprise but to point out that what is now masquerading under the name of a cooperative credit enterprise has in it a certain element which we believe will, if unchecked and allowed to continue, undermine and eventually destroy country banking. That is the subsidization of a competitor with Government money. If you will examine the law you will find that this Government agency is not a cooperative institution. . . . I think we are doing a disservice to cooperative enterprise when we let this masquerade as a cooperative and don't do more about making it a cooperative.

"The management of this business has demonstrated that it is a system that can stand on its own feet. It should have paid $3,000,000 last year in interest to the Government. Here is a system that has been set up for ten years which has been operating with varying degrees of success. It needs a reexamination and restudy by management people to put it on its feet as a business rather than as a subsidy. If you do that you will be doing the cooperative effort of the country a service."

Mr. Wiggins cited figures for various states to show that the PCA's are not making loans to the small borrowers but to the larger borrowers, the average PCA loan for the country being $2,025. "In all this period of time," he said, "they have had 335,000 customers, as I understand it, out of the 6,000,000 farmers. Commenting on competitive practices, Mr. Wiggins stated:

"I don't think the PCA's have any right to go out and shake the bushes with the taxpayer's money to get business from a competitor when the competitor is paying the tax. If the PCA's stand on their own feet, as far as I am concerned they can shake the bushes of their community to get business. I will be shaking some bushes to get their business too."

Mr. Wiggins in appealing to the committee to make a thorough reexamination of the Production Credit System, said: "We are asking you to reexamine the operations of this whole system to see whether you found the answer when you set this thing up ten years ago and what changes should be made in it to the end that it may be put on its own feet and pay its own way and become a legitimate real farmer-owned, farmer-operated cooperative."

He also asked for the separation of the Farm Credit Administration from the Department of Agriculture. "The subject goes deeper than even this," he said, "because you have got to take the Farm Credit Administration and make it an independent agency like the Federal Reserve Board before you are going to do a good job. This is a vital matter to these country bankers," Mr. Wiggins concluded. "They are passing out of the picture and it just won't do. We have got to help them. We ask you gentlemen to have this reexamination made with the idea of making the Production Credit System pay its way as quickly as possible by paying for the money it uses and eliminate this unfair competition. We are becoming disturbed back home about this whole business of the Government doing so many things in competition with us and making it difficult to get along."

Mr. Wiggins, President of the ABA, is President of the Bank of Hartsville, of Hartsville, S. C.; Mr. Addison, also referred to above, is President of the Security Savings & Commercial Bank of Washington, D. C., and Mr. O'Neill is Vice-President of the National Bank & Trust Co. of Charlottesville, Va.

Speaking both as a banker and as President of the Tennessee Taxpayers Association, C. W. Bailey, President of the First National Bank at Clarksville, Tenn., stated that "if the farmers of a trade area wish to operate a cooperative and make production or other agricultural loans, I have no quarrel with them and will accept the challenge of competition if the occasion demands, but I cannot adjust my thoughts to a conviction that it is right and proper that such a cooperative should be permanently favored with capital from the Treasury of the United States on which it pays no return in the form of interest and is otherwise relieved of all taxes."

Others who testified for the ABA included: M. W. Ellis, Superintendent of Banking, Des Moines, Iowa; Clyde D. Harris, President, First National Bank, Cape Girardeau, Mo.; C. D. Haskell, Vice-President of the Nebraska Federation of County Taxpayers Leagues, Laurel, Neb.; Wade R. Martin, Director of Banking, Lincoln, Neb.; W. L. Smith, Vice-President and Cashier, First National Bank, Lake Geneva, Wis.; Edmund W. Thomas, President, First National Bank, Gettysburg, Pa.; N. V. Torgerson, President, Farmers State Bank, Adams, Minn., and L. C. Wright, President, Security Bank, Blackwell, Okla.

NYC Security Dealers Organize For War Loan

Some 275 New York City security dealers and firms not members of any stock exchange, including specialists and over-the-counter dealers, have been invited to join with the Banking & Investment Division of the War Finance Committee for New York State, in furthering the sale of War Bonds during the next War Loan drive. Joseph A. Bower, Executive Vice President of the Chemical Bank & Trust Co., and Director of the Banking & Investment Division, met with these dealers and heads of firms at the Federal Reserve Bank Building on Nov. 22 to organize for active participation in forthcoming War Loan campaigns.

Lamont Wishes Willkie Luck In Arousing Republicans To Necessity Of Looking To Vital Domestic Issues

Thomas W. Lamont, Chairman of the Board of J. P. Morgan & Co., Inc., in an article, "What a Capitalist Reads," in the Dec. 4 issue of "The Saturday Review of Literature," Christmas issue, comments favorably on Mr. Willkie's book, "One World," and says, "I wish Mr. Willkie could have equal luck in any effort that he might conceive for arousing my Republican friends to the necessity of doing a real job on current vital domestic issues which they seem to be leaving largely to the Democrats."

We quote below in part from Mr. Lamont's article:

"Upon his return from his world tour, which took 49 days with many stops, against Jules Verne's 'Round the World in 80 Days,' on the go every minute, Mr. Willkie met some criticism because of his warm and almost unprecedented praise of things Russian, including Marshal Stalin. Later developments, however, on the field of battle on the Russian steppes and in the recent Moscow agreements, have served to show how right Mr. Willkie was. He chanced to be one of the few notable individuals who early saw that the future of the human world depends in no small measure upon relations between the Soviet Union and the United States of America. Undoubtedly it was his unique, round-the-world experience and widened horizons that gave Mr. Willkie such an effective wallop in his determination to bring the Republican Party into line for international cooperation. No other one of our citizens has held a candle to him in opening the eyes of the public to the stupidity, the impossibility of isolationism. His ceaseless public exhortations undoubtedly contributed to the overwhelming nature of the Senate majority for the Moscow pacts.

"I wish Mr. Willkie could have equal luck in any effort that he might conceive for arousing my Republican friends to the necessity of doing a real job on current vital domestic issues which they seem to be leaving largely to the Democrats. It is simply a truism for me to say that it does absolutely no good for us to yell at the Administration for inadequate policies as to taxation and anti-inflation or for questionable currency-stabilization ideas, unless we have something genuine to offer ourselves.

"I have heard some Republicans, desperately anti-Administration, say they were against Mr. Willkie and all his works because in certain policies he had supported President Roosevelt. Yet how could he or any of us possibly fail to support Lend-Lease; or the President's plans of war strategy; or fail to have approved the immediate measures that the Administration took in 1933 to relieve the grave situation arising from depression and unemployment?

"Yes, we Republicans, rank and file, must do more than criticize. If we are to clear up the domestic difficulties that, according to every part of the public press, the Democrats are in, then our representatives must work more systematically for the development of constructive policies. To such a crusade I respectfully suggest Mr. Willkie devote his next efforts."

NAM Urges Senate Group To Allow Corporations To Set Up Post-War Res. In Special Govt. Bonds

The National Association of Manufacturers, in a statement filed with the Senate Finance Committee, urged on Dec. 5 that corporations be allowed to set up reserve funds in the form of special Government bonds to provide for reconversion in the post-war period.

The recommendation was presented by J. Cheever Cowdin, Chairman of the NAM Government Finance Committee and Chairman of the Board of Universal Pictures Co., Inc., of Los Angeles.

The following regarding the Association's tax recommendations was reported in Washington advices of Dec. 5 to the New York "Herald Tribune," from which also the foregoing information is taken.

"With such reserves set up in Government bonds, the Treasury would have the use of the money now when the Government needs it most," Mr. Cowdin said. "In the post-war period these funds would be available to industry to create the jobs which all segments of our people agree will be our most serious problem."

Mr. Cowdin expressed the opposition of industry to two of the proposals in the tax bill passed by the House. These were:

1. The provision to increase the excess profits rate from 90 to 95%.
2. The provision to reduce the credits with companies with more than $5,000,000 of invested capital.

"The proposed increase in the excess profits tax from 90% to 95% is an increase beyond the point of sound and effective taxation," he said.

"We want to repeat our disapproval of excessive profits, but in our opinion an increase to 95% would be destructive to many companies and harmful to the entire economy. It would kill incentive. It would encourage and stimulate waste and eventually cause severe unemployment."

Discussing post-war features of the bill, Mr. Cowdin revealed the results of a recent NAM survey on conversion figures for 2,072 companies now engaged in war work.

"These companies estimate it will cost $2,289,000,000 without taking into consideration renegotiation refunds to get back to peace-time production. This is $570 for each employee."

"These companies employ 3,987,536 people. It is obvious that they will not be able to meet tremendous reconversion costs and promptly begin peace-time production and employment unless they have the necessary funds available immediately upon the termination of the war. . . .

"We recommend you give serious consideration to allowing corporations to set up reserve funds in the form of a special issue of Government bonds. Corporations should be permitted to purchase such Government bonds as they deem desirable, but should be limited in the amount of credit against taxable net income to a maximum of 10%. At the termination of the war these bonds would become redeemable and the proceeds would be used for post-war needs such as the encouragement of maximum employment through reconversion and rehabilitation, for accelerated depreciation, deferred maintenance, inventory adjustments and other business needs. Such funds should not be permitted to be used for the payment of dividends.

"With such reserves set up in Government bonds, the Treasury would have the use of the money now when the Government needs it most. In the post-war period these funds would be available to industry to help create the jobs which all segments of our people agree will be our most serious problems.

"If there are going to be enough jobs to go around after the war ends, we must begin preparing for them today. If we wait until hostilities cease it will be too late," Mr. Cowdin said.

Winant Named To 3-Power Advisory Body

The State Department at Washington announced on Dec. 4 that President Roosevelt has appointed John G. Winant, Ambassador to Great Britain, as the representative of the United States on the European Advisory Committee. Great Britain's member is William Strang, British Under-Secretary of State, and Russia's representative is Fedor Guseff, Soviet Ambassador to Britain. Establishment of this commission in London, was decided upon at the Moscow conference in order to examine European questions arising as the war developed and to make joint recommendations to the three Governments.

With respect to the new Advisory Council to the Allied Control Commission for Italy, which was also set up at the Moscow conference, the State Department announced on Nov. 22 the appointment of Robert D. Murphy as United States representative with the personal rank of Ambassador. Mr. Murphy, who has been American representative to the French Committee of National Liberation in Algiers, will continue to serve as an adviser on the staff of Gen. Dwight D. Eisenhower, Allied Commander-in-Chief in the Mediterranean theater. Succeeding him as envoy to the French Committee will be Edwin C. Wilson.

Britain and Russia and the French Committee will also name representatives to the Italian Advisory Council. The group will deal with day-to-day questions other than military preparations and will make recommendations designed to coordinate Allied policy with regard to Italy.

The results of the Moscow conference were reported in our Nov. 4 issue, page 1799.

Reconversion Action Now Proposed By Federal Economist

Government concern over conversion of Treasury-financed war plants to peace-time production brought a warning on Dec. 5 that speedy changes might result in "terrific and inequitable impacts upon an established industry."

In reporting this, an Associated Press Washington dispatch in the New York "Herald Tribune" further said:

A study of the problem by Fred E. Berquist, Justice Department economist, shows that Government contracting agencies have authorized expenditure of $15,555,000,000 in 2,598 plants. The total does not include projects of less than $25,000 or the $2,278,000,000 committed for machine tool purchases by the Army, Navy and Defense Plant Corporation.

With the approval of the anti-trust division, Mr. Berquist already has urged some industrial groups to do some spade work now instead of waiting until the end of the war.

His study resulted in a recommendation for "orderly liquidation" of the Government-financed plants by sale or lease. Such a method, he said, probably would bring "maximum dollar recovery."

"Quick disposal might readily be arranged by making necessary price and term concessions," Mr. Berquist added.

The Financial Situation

(Continued from first page)

Burma, Malaya, the Dutch East Indies, India and all the rest must logically have been promised their freedom—and protection from aggressive exploiters. China is needed to furnish a route to Japan and aid in crushing Japan—and for such purposes the active vigorous assistance of the Chinese people is essential. The other areas of that part of the world are in a distinctly different category. Moreover Russia is presumably more interested in what the attitude of the European powers toward China is to be than in what they intend to do about the Pacific Islands. The people of the United States have long been more sentimentally inclined toward the Chinese than toward any other people of the earth. That Great Britain is willing at this time, and in the precise circumstances now existing, to join the United States in a declaration which appears to look toward a China relatively although not necessarily wholly free from foreign domination need surprise no one familiar with the course of world politics during the past century.

Realism Is Encouraging

What has been said here is not intended to be critical particularly. Indeed, we confess to a feeling of greater confidence somehow when the powers are dealing with one another in a world of realism. But, of course, no informed man is likely to suppose that what might be termed the Chinese problem can possibly be so easily solved. In a very real sense there is no single entity which can be called China at this time, and there has not been for a good while past. The Chinese people are split into cliques, clans, and all manner of local groups. They are bound by ancient customs which in some instances, at least, are not either admirable or conducive to progress. If we face the facts we must admit that it is not altogether the fault of the western powers, or of Japan either, that China has not been left unmolested to work out its own salvation through the centuries. A large part of the exploitation of China in the past was regularly accomplished with the connivance and active assistance of corrupt Chinese governments.

It may be easy enough to argue that the Chinese are entitled to be "backward," and even to have hopelessly inefficient and corrupt rulers, if they choose. The fact is, however, that such a situation plainly and strongly invites exploitation — and will do so in the years that are ahead if conditions continue in China as they have been in the past. Unless the Chinese are ready to build their own future henceforth, it will not be merely a problem of returning their territory to them, but of standing as a guardian over their possessions to protect them from exploitation, not only by Japan, but by any or all other foreign countries. The task that Great Britain and the United States set for themselves in Asia is a huge one in a military sense. That is obvious. The task of keeping China free and unexploited may in the long run prove to be an even more difficult undertaking.

Win The War!

The Teheran conferences may well prove to be of more immediate practical importance. It is certainly to be hoped so. Naturally, the world must wait to learn what has been accomplished, but certainly the primary emphasis given to questions having to do with winning the war at the earliest possible moment is heartening. There are many troublesome questions which must inevitably arise when the fighting is over. It would be unwise to leave these matters entirely unconsidered until victory is won, but it would be far more foolish to permit them to interfere with the defeat of the Axis powers at the earliest possible moment. The vague and idealistic tenets in the Atlantic Charter are not likely to find much place in the final peace arrangements in any event. The important thing now is to get along with the war.

It would be wholly unreasonable to demand to know precisely what was done at either Cairo or Teheran about intensifying and coordinating the efforts of the United Nations to bring about the defeat of the Axis more quickly. It has long been obvious, of course, that the efforts of the British and Americans on the one hand and the Russians on the other in the European fighting were poorly coordinated, if indeed they could be said to be coordinated at all. One of the crying needs of the situation has been that of greater coordination of the activities of these mighty powers. The communique now issued from Teheran speaks of plans having been perfected for this purpose. The announcement is in the vaguest of terms, naturally, and could mean little or much. If full coordination could be achieved, including use of Russian bases for American or British air attack, a great deal would have been accomplished.

Situations such as that existing for months past in Yugoslavia should likewise have come under close study by the participants in these Teheran conferences. Was it possible for them to come to some sort of understanding which would make it possible to work in close cooperation with all factions in occupied countries, and depend upon all factions to work smoothly together to a common end? If in fact as well as in name, the representatives of Russia and of Great Britain and the United States have been able to come to a close understanding and agreement concerning a number of questions of this sort, much indeed has been accomplished. The events of the next few months should throw a much better light on the success of these Near East conversations than any official communiques could be expected to do. And both friend and foe will be able to see that light.

Three Congressmen Die

Senator W. Warren Barbour (Rep., N. J.), died of coronary thrombosis on Nov. 22 in his Washington home. His death followed within 24 hours the deaths of Representative J. William Ditter (Rep., Pa.), in an airplane crash, and of Representative Henry B. Steagall (Dem., Ala.), from a heart attack.

Mr. Barbour, who was 55 years old, was appointed to the Senate in December, 1931, to succeed the late Dwight W. Morrow. He was defeated for reelection in 1936 but was returned to the Senate in 1938 for the unexpired term of A. Harry Moore, who resigned to become Governor. Senator Barbour was reelected in 1940 for a full six-year term. He was a member of the Senate's Naval Affairs, Commerce, Manufactures, Public Buildings and Rules Committees.

Representative Steagall, who died on Nov. 22 in the George Washington University Hospital at the age of 70, was Chairman of the House Banking and Currency Committee and had been a member of the House for 29 years. He was one of the leaders of the fight in the House against the Administration's food subsidy program, having called for its defeat in a special opening debate in the House on Nov. 18. Mr. Steagall took a leading part in many important pieces of legislation, having been sponsor of such measures as those which created the Reconstruction Finance Corporation, the Federal Deposit Insurance Corporation, the United States Housing Authority and the Commodity Credit Corporation. He also helped draft the two price control acts. One of the most notable of the measures sponsored by Mr. Steagall was that known as the Glass-Steagall bank bill, enacted in June, 1933, amending the Federal Reserve and National Bank Acts; besides the deposit insurance plan carried in the Glass-Steagall measure, it embodied Branch Banking provisions, also provisions divorcing Bank Affiliates, Creating Federal Open Market Committee, etc.

Representative Ditter was killed on Nov. 21 in the crash of a Navy plane near Columbia, Pa. Mr Ditter, who was first elected to Congress in 1932 and reelected to succeeding terms, was on a special mission in connection with his duties as a member of the House Naval Affairs subcommittee. He was also a member of the House Appropriations Committee and was three times elected Chairman of the National Republican Congressional Committee.

Life Insurance Funds Active In Financing Aid For City Housing

American life insurance companies have this year put approximately $400,000,000 into mortgages on city homes, including apartments, bringing total financing aid of this type to nearly $4,000,000,000, an all-time peak, it was reported Nov. 28 by the Institute of Life Insurance. This aggregate represents housing for approximately 3,500,000 persons. The Institute said:

"New dwelling units built under war housing priorities constitute a substantial part of these city properties on which mortgages have been purchased in the last two years. In addition, the companies have been active in the refinancing of existing dwelling accommodations. On both scores the war-time shortage of housing has exerted an important influence. At the same time, special attention has been given by the life insurance companies to housing values and every effort is being made to discourage increased valuations under the stimulation of inflationary conditions.

"An enormous increase has occurred in life insurance holdings of mortgages on city dwelling units, the investment in these mortgages having tripled in the last five years. As a result, life insurance funds are now one of the leading sources of financing aid to home owners."

Several companies relatively new in the field of financing aid for homes are very active in this field today, according to the institute, which says further that most companies are now eager to secure more good home mortgages than are currently available. The Institute also states:

"Post-war housing will be greatly aided by life insurance companies. Most companies are laying plans for expansion of activity in this direction with the expectation of increasing their aid to home owners when the war's end releases materials and labor for the tremendous building activity now forecast by housing experts. This aid will take the form principally of mortgage financing, but greater participation by the companies is expected in direct ownership of housing projects for which life insurance companies have recently become a leading source of funds."

From the anouncement of the Institute we also quote:

"Most of the life insurance financing aid for housing in recent years has been in the field of low cost housing for families of modest means. One evidence of this is the great increase of FHA mortgages held by life insurance companies. Together the companies hold 27% of all FHA mortgages on one to four family houses and 53% of all FHA mortgages on large scale housing projects. One company alone holds more than a quarter of a billion dollars of FHA mortgages, and another company has more than 50% of its assets in this type of home financing aid. One of the companies newly interested in the field has, after only two years, more than $50,000,000 of FHA mortgages. Approximately 30% or well over a billion dollars of the home mortgages held by the insurance companies is in FHA insured mortgages.

"Of the remaining 70% of non-farm dwelling mortgages held by the life companies, the greater part are also on low cost homes and are now on a long-term, amortization plan. The companies were among the pioneers of this type of mortgage, writing it extensively before the Federal Housing Authority was established. One life insurance company alone has written nearly $1,500,000,000 of long term amortizing mortgages on small homes over the past 20 years, representing housing accommodations for nearly 1,500,000 people. Another company which currently holds $250,000,000 of FHA mortgages also holds some $550,000,000 dwelling mortgages written on its own plan, and consisting chiefly of mortgages on small homes."

U. S. Civilian Living Standard Higher, According To Survey By Harper & Curtiss Of Cornell

The living standard of the average civilian in the United States is now about one-sixth better than in 1939, according to a study of Government reports on prices and incomes made by Professors F. A. Harper and W. M. Curtiss of Cornell University. This better living, it is explained, should not be confused with higher prices, but is in terms of actual purchases of goods and services.

In Ithaca, N. Y., advices of Dec. 5 to the New York "Herald Tribune," from which the foregoing is learned, it was also stated:

"The civilian standard of living could, of course, be even higher through purchase of goods with additional money savings of workers, if more cars, radios, clothes, train rides and other consumer goods and services were available.

"This rise in the level of living assumes that price indexes of the Government are both complete and accurate, say Professors Harper and Curtiss. Actually, the indexes may not be correct, as they leave out many goods and services.

"As they stand now, Government figures 'do not show much of the civilian sacrifice we have heard so much about,' says the Cornell economists. 'Neither do they support the demands of certain organized pressure groups for higher incomes to ease their wartime suffering.' The official figures show 'that the so-called suffering has been in reverse, and the average citizen has been enjoying one of the most rapid advances ever experienced in his standard of living.'

"Consumers are eating 20% better than in 1939, according to these Government figures; non-food items have gone up 14%. With excellent weather for crops, and by using feed grain reserves, it has actually been made possible for people to shift to the luxury foods. This has been possible in spite of the export of much food through lend-lease. People with money in their pockets are also eating much more in restaurants.

"A rise of 14% in non-food consumer purchases would be surprising, according to Professors Harper and Curtiss, in view of the tremendous shift of production to war goods. Without doubt we have been using reserves of manufactured products and raw materials. Also 'production' and 'consumption' of many services has increased. Rail and bus travel has increased enormously although auto travel is reduced.

"From their own experience, many persons will not believe the conclusion that the United States is living so much better. They may be right, for not all persons have benefited equally. But 'for each person who has little or no benefit, someone else has reaped an even better living,' the Cornell study discloses."

Efforts To Link Currencies Of Near East To World Standard Opposed By Former Iran Official

Urges Return To Silver For Near East

A return to hard white money, freely circulating at its commodity value, and abandonment of all forms of paper currency, managed currency, or stabilized ratios, and eschewment of efforts to link their currencies to a world standard—is recommended as post-war monetary policy for the countries of the Near East by Dr. Elgin Groseclose, sometime Treasurer-General of Iran.

Dr. Groseclose admits that his recommendation flies in the face of monetary opinion, including the vocal opinion in the Near Eastern countries themselves; and he recognizes that silver is "less adapted . . . to the settlement of international balances." Even so, he recommends it for the Near East.

"The Near East—taken as the Arabic, Turkish and Persian speaking countries lying from the Nile Valley eastward to the borders of China—is, historically and traditionally, a hard money territory," Dr. Groseclose states in one of a series of essays on post-war monetary standards published by the Monetary Standards Inquiry, New York.

Dr. Groseclose states that a serious inflation exists throughout the Near East, and attempts to control it, even in those countries long under European tutelage, have been ineffectual.

"Had the governments of these countries never permitted themselves to be lured by the vogue of European note issue systems and Western monetary theory into experiments in paper currency, and had they clung to their old-fashioned metal moneys, it is certain that their present hardships would be infinitely less," he adds.

Dr. Groseclose statess that the preference of these countries for metallic money cannot be set down entirely to ignorance of the blessings of civilized monetary practice and theory. These are the lands, he notes, in which banking and commercial credit instruments originated: a banking code existed here long before the Mosaic Code; a form of bill of exchange was employed by Assyrian merchants of the ninth to the seventh centuries B. C.; and the modern bill of exchange, developed by the Florentine merchants, was probably an adaptation of an Arabic usage.

Dr. Groseclose says that the attempt to override the traditional distrust of paper money may prove to be one of the major mistakes in the political management of these countries.

"To be deprived of good metal for their wares and services, forced to accept dirty pieces of paper the symbols on which they frequently can neither read nor understand, which deteriorate in their hands and must be spent immediately lest they lose their value, create a state of mind which, however latent and unobserved, and understandable only by familiarity with the modes of life of these peoples makes for political and social unrest."

Continuance Of State Supervision Of Insurance Advocated By Head Of Commissioners' Assn.

Says Issue Of Federal And State Rights Involves Preservation Of Free Enterprise System

Charles F. J. Harrington, President of the National Association of Insurance Commissioners, warned on Dec. 2, that if the principle that insurance is not commerce, and therefore not subject to Federal regulation, is vulnerable "similar basic principles upon which other businesses have been constructed are equally vulnerable and likely to be succeeding objectives of the national planners."

Addressing the 37th annual meeting of the Association of Life Insurance Presidents in New York City, Mr. Harrington, who also is Commissioner of Insurance of Massachusetts, declared that the doctrine in Paul v. Virginia, which held that insurance is not commerce, is not confined to that business alone, but "is a fundamental delineation between Federal and State rights, between rule by law and rule by men."

"Although related immediately to the insurance business, the issue is important to everyone of you," he told the life insurance executives. "It involves the preservation of our free enterprise system."

Strongly advocating a continuance of State supervision of insurance, Mr. Harrington described the Commissioners' Association as "a serious, deliberative body, thoroughly cognizant of its responsibilities and reasonably striving to attain its objectives," and asserted that it "has been a satisfactory substitute for a Federal bureau and certainly less expensive."

"A debt burdened nation should not at this time be required to support another great Federal bureau, with the resultant conflicts of opinion and probable increased litigation to determine where Federal supervision begins, or where State supervision ends," he added.

Commissioner Harrington cited the modernization of mortality tables and valuation standards, together with a revision of the methods used in computing non-forfeiture benefits, as a recent accomplishment of the Commissioners' Association in cooperation with the leading actuarial societies. He told how, after the actuarial committee had completed its studies on the subject, a committee of insurance commissioners reviewed the work and suggested certain changes in the interest of practical administration of the proposed new laws. Public officials and insurance company executives who participated in the work "have reason to be proud of the fact that within six months of the adoption of their report by the National Association of Insurance Commissioners, 14 State legislatures adopted the legislation," he said. He added:

"In 11 additional States, legislation is unnecessary to permit the use of the tables and non-forfeiture benefit provisions of the report. In more than half of the States of the Union, within a six months period, it has been possible for State supervision to make effective technical and involved legal principles designed for the protection and benefit of future life insurance policyholders and their beneficiaries. No responsible criticism has been directed against the program. Unstinted praise has been voiced by those who understand the nature and extent of the benefits the public will derive from this momentous work. We have urged the Commissioners of those States, which have not adopted the legislation, to introduce it at their next legislative session. We believe that the remaining States will take favorable action manifesting that the States can by uniform legislation achieve adequate interstate supervision of the business of insurance."

Declaring that if further regulation of the insurance business is needed, the Commissioners Association and the State legislatures are always willing to consider the necessity for it, Mr. Harrington emphasized that the Commisioners of the several States have demonstrated their willingness to cooperate with the Federal Government at all times in the solution of problems affecting the business. This is illustrated, he said, by the appointment of a special committee of the Commissioners' Association to cooperate with the Federal Government.

Describing other instances of such cooperation, he continued: "The State Insurance Commissioners, through their National Association, are cooperating with General Grant in advancing a program of the War Department designed to protect industrial plants producing material destined for the advancement of the war. We have cooperated with the War Department in making it possible for insurance companies to reduce the cost of workmen's compensation insurance which is a direct charge against the Federal Government in connection with war contracts. In fostering this program, the cooperation of the Governors of some States was sought and received. We have cooperated with the War Damage Corporation to make effective the purpose of the Federal Government to furnish war damage insurance to the public. There is no reason why departments of the Federal Government should be hostile to, or destructively critical of a system of State supervision of insurance which has evidenced a willingness to cooperate. Destructive criticism should be beneath the dignity of Federal officials — constructive criticism should be welcomed and seriously considered by State officials."

Urging a realistic attitude toward the extension of social security benefits at this time, Commissioner Harrington said: "Our Nation must liquidate a national debt, which we are reliably informed will reach $350,000,000,000. Let us not hastily enact Federal laws which increase the problems now confronting the insurance companies and Insurance Commissioners. Our Government can give us nothing. The little taxpayer must share with the large taxpayer the cost of any extension of Government benefits in addition to his share of the war debt."

ABA Exec. Council To Meet In April

The annual spring meting of the Executive Council of the American Bankers Association will be held in Chicago at the Stevens Hotel, April 16-19, 1944, it is announced by A. L. M. Wiggins, President of the Association and President of the Bank of Hartsville, S. C.

The Executive Council is the governing body of the Association, consisting of the officers of the Association, the President and Vice President of each of its six divisions and sections, the chairmen of its various commissions, and 83 representatives elected by the member institutions of the various states. The meeting will bring together the members of the Council and the leaders of the Association's Commissions, Councils, and Committees, and the officers of its Divisions. The Council holds two meetings a year, the annual spring meeting in April and a second one held during the annual convention. The meetings of the Council are always executive sessions.

Willkie Will Not Run For Presidency, If Republicans Support Views of Landon

Wendell L. Willkie on Dec. 6 asserted, that if the recent speeches of Alfred M. Landon "represent the thinking of the Republican Party," that someone other than himself should lead the Republicans in the 1944 Presidential campaign, said Denis Tilden Lynch in an item in the Dec. 7 issue of the New York "Herald Tribune." The write-up added in part:

Mr. Willkie voiced his criticism of Mr. Landon when asked for comment on the Kansan's published prediction that Governor Thomas E. Dewey of New York would be nominated for President by the Republicans not later than the second convention ballot and that Mr. Willkie was likely to slip almost completely out of the running before convention time.

"Predictions are hazardous," said Mr. Willkie. "This much, however, is certainly true—that if Governor Landon's recent speeches, particularly the one last Saturday on the Moscow agreements, represent the thinking of the Republican Party, then certainly some one other than myself should lead the party in 1944. For the statements, inferences and implications of the Governor's speech would take the party in a different direction from that in which, in my judgment, it must go if it is to win the confidence of the American people."

Mr. Landon arrived here from Washington shortly after Mr. Willkie's attack upon his public utterances. He replied that he would welcome Mr. Willkie's views and suggested that he be "specific and definite." Governor Dewey, with whom Mr. Landon expects to confer today, also arrived in town, after a fortnight's holiday at Sea Island, Georgia, but declined to enter the controversy.

"I would be very much interested in Mr. Willkie's views as to what he considers wrong with my speech of last week before the Republican junior Senators in Washington," said Mr. Landon. "I do think he ought to be specific and definite. I would welcome his views.

"We are not getting any details as to what is going on at these conferences. This is different from Woodrow Wilson's day, when we had open discussions, or to quote Woodrow Wilson himself, 'open covenants openly arrived at.'

"That is how we reach a decision in a republic. That is the antithesis of a totalitarian State, and we are having too much of that today.

"People don't know what is going on. The heads of our Government are meeting and we want to know what is going on.

" 'The London Economist,' in its current issue that arrived in America in the last few days, raised the same questions respecting the Moscow conference that I raised because of the lack of details we have concerning it."

J. A. Stevenson Elected Chairman Of Institute Of Life Insurance

John A. Stevenson, President of the Penn Mutual Life Insurance Co., was elected Chairman of the Board of Directors of the Institute of Life Insurance, succeeding Gerard S. Nollen, President of the Bankers Life Co., at the annual meeting of the Institute's board, held at the Waldorf-Astoria Hotel in New York City on Dec. 1.

Mr. Stevenson brings to his post a broad experience in the insurance field and wide familiarity with insurance problems. He has headed sales executives associations and is particularly interested in the educational and economic phases of life insurance. He is the author of many books on life insurance and was one of the pioneers in the training of life insurance agents.

Mr. Stevenson becomes, ex officio, a member of the Executive Committee of the Institute and other new members elected to this committee were: Claris Adams, President, Ohio State Life Insurance Co.; and George L. Harrison, President, New York Life Insurance Co. Retiring members of the Executive Committee are: Leroy A. Lincoln, President, Metropolitan Life Insurance Co.; Julian Price, President Jefferson Standard Life Insurance Co.; and Frazer B. Wilde, President, Connecticut General Life Insurance Co.

New members of the Board of Directors, elected at the annual meeting of the Institute, were James A. Fulton, President, Home Life Insurance Co., and Charles F. O'Donnell, President, Southwestern Life Insurance Co., succeeding Mr. Lincoln and Bertrand J. Perry, President, Massachusetts Mutual Life Insurance Co.

Holgar J. Johnson was reelected President and Arthur C. Daniels Secretary of the Institute.

Robert P. Patterson Opposes Proposal To Change Renegotiation Contracts

Robert P. Patterson, Undersecretary of War, before the Senate Finance Committee, on Dec. 6, declared that there is no merit in the suggestion that renegotiation should be used to allow war contractors to build up reserves for post-war conversion and at the same time he opposed the proposal to base war contract renegotiation on profits after taxes. Washington advices to the New York "World Telegram" of Dec. 6 in reporting this gave other remarks of Mr. Patterson as follows:

Mr. Patterson said changes in the renegotiation law in the House-approved $2,000,000,000 tax bill were generally satisfactory to the War Department, except in the case of certain administrative features.

Mr. Patterson said that abnormal conditions still prevalent make it necessary to continue the legislation bringing about a downward adjustment in war contracts. Price adjustment by the War Department has been fair and reasonable and it has not delayed or impeded war production, he declared.

"American industry doesn't want to come out of the war with the label of profiteer fastened to it," said Mr. Patterson. 'If the price adjustment law had not been available, I am certain that other measures would necessarily have been taken, which might have been harmful to war production.

"To date price adjustment operations have saved the Government some $5,300,000,000, of which $2,500,000,000 is cash which procuring agencies have recovered or will recover. The other $2,800,000,000 reflects reductions in prices for future deliveries under existing contracts."

Mr. Patterson declared that the charge that the renegotiation law has been administered in a manner unfair to contractors cannot be sustained.

Opinions Of James A. Treanor, Jr. On Anti-Manipulative Provisions Of Securities Acts

The Securities and Exchange Commission on Nov. 16 made public two opinions of James A. Treanor, Jr., director of the Trading and Exchange Division of the Commission. One opinion discusses the effect of the anti-manipulative provisions of the Securities Exchange Act of 1934 and the Securities Act of 1933 on the activities of a manager of an underwriting syndicate. The other opinion discusses the circumstances under which members of an underwriting group who has raised the market price of a security or created activity therein during their distribution of that security may be held to have violated the anti-manipulative provision of the Securities Exchange Act of 1934 and of the Securities Act of 1933.

Opinion Regarding Activities of Manager of Underwriting Syndicate

In the first case Mr. Treanor's opinion deals primarily with the case of a manager of an underwriting syndicate who effects purchases of a security to reduce the short position of the "syndicate account" in that security while the members of the syndicate or members of the selling group are engaged in the retail distribution of such security. In this situation, Mr. Treanor points out, a manager's transactions which raise the price of the security or create excessive trading therein, will violate the anti-manipulative and fraud provisions of the Securities Exchange Act of 1934 and the Securities Act of 1933.

The opinion also discusses the factors which indicate the presence or absence of manipulative intent.

The opinion applies to securities which are traded on national securities exchanges as well as to those which are traded in the over-the-counter market.

The text of the opinion follows in full:

"You have inquired whether transactions effected by the manager of an underwriting syndicate to cover an over-allotment short position of the syndicate are subject to the anti-manipulative provisions of the Securities Exchange Act of 1934 and the Securities Act of 1933.

"As I understand it, you are the manager of a syndicate which is underwriting an issue of shares of stock of 'XYZ' Corporation. The issue is being publicly offered at a fixed price, having recently become effectively registered under the Securities Act of 1933. I also understand that the syndicate account is 'short' shares in the amount of approximately 8% of the amount originally offered, resulting from over-allotment. It also appears that the individual members of the underwriting group are 'long,' in the aggregate, approximately 17% of the amount originally offered, representing the unsold portion of the original offering. Moreover, the members of the selling group who are not underwriters have an aggregate long position amounting to approximately 12% of the original offering.

"In considering the question which you have raised, we may start with the premise that a syndicate over-allotment is customarily made for the purpose of facilitating the orderly distribution of the offered securities by creating buying power which can be used for the purpose of supporting the market price. Thus, it would appear, in the absence of circumstances indicating the contrary, that purchases made for the purpose of covering the 'short position' of the syndicate are effected for the purpose of facilitating the distribution. Moreover, if such purchases are effected to facilitate the offering, it is obvious that there exists the intention or purpose of inducing the purchase of the offered security by others.

"Under these circumstances, all purchases which raise the market price of the offered security or create excessive trading activity would appear to contravene the anti-manipulative provisions of law. In this connection, you may be interested in examining Securities Exchange Act Release No. 3505 issued by the Commission under date of Nov. 16, 1943.

"However, not all purchases for the purpose of covering a short position impel the conclusion that the underwriters still have the purpose of facilitating a distribution. There are a number of factors which must be considered in determining whether that purpose is still present. Some of the external factors indicating that the manager no longer has the intention of facilitating an offering, but has only the purpose of covering the syndicate short position, are as follows:

"1. Neither the underwriters nor the selling-group members have remaining unsold any shares of the offered security, and hence are no longer engaged in soliciting purchases thereof;

"2. Reasonable efforts have been made by the manager to acquire securities away from the market, i.e., in privately negotiated transactions, for the purpose of covering the syndicate short position;

"3. The independently established market price of the offered security is above the fixed offering price;

"4. The manager has not, while covering the syndicate short position, made additional short sales of the offered security;

"5. A reasonable period of time has elapsed between the termination of distributive efforts on the part of participants in the distribution and commencement of covering of the syndicate short position;

"6. The underwriting group holds no options on securities of the same class as those being offered; and

"7. All agreements with the syndicate manager or underwriters restricting the right of any person to sell the securities of the same class as the offered security have been terminated.

"It should be noted that the factors mentioned above do not necessarily include all of the factors to be taken into consideration, nor is it necessary for all of the factors to be present before the conclusion can be reached that in a given setting the purpose of facilitating an offering no longer exists.

"Applying these principles to the facts which have been presented by you, it is obvious that the position of the underwriting group is only technically short, the underwriters as a group actually having a net long position amounting in the aggregate to 9% of the amount of the securities originally offered. Moreover, the selling group members have securities remaining unsold in the additional amount of 12%. It is obvious that participants in the distribution are still engaged in inducing the purchase of the offered security by others. Under these circumstances, purchases of the stock effected by the syndicate manager as agent for the underwriting group which raise the price of the stock or which create excessive trading activity, would clearly be unlawful, even though one of the purposes of the manager in effecting such purchases is that of extinguishing the technical short position of the syndicate account.

"The statement has frequently been made by managers of syndicates that they are not in a position to knew whether the individual underwriters or selling-group members have securities remaining unsold, and that managers have no means of requiring members of underwriting or selling groups to supply them with the offered securities to permit the extinguishment or reduction of the short position.

"Considering these contentions first with respect to the individual underwriters, it should be noted that the manager of a syndicate is an agent for the members of the underwriting group and that the individual members of the group are principals in any transaction effected by the manager as such. The failure of an agent of an underwriting group to inform himself with respect to the status of the distribution cannot, in my opinion, grant immunity to any such agent or to his principals from the anti-manipulative provisions of law. On the contrary, no such agent should permit his principal's act or refusal to act, to force him, the agent, to violate the law in attempting to protect such principal's interests.

"In view of the foregoing, it would seem incumbent upon the manager to insure his ability to obtain all necessary information concerning the status of the distribution. In this connection, it would seem appropriate for the agreement between underwriters to contain provisions stating, in effect, that the manager, upon request, shall be informed of the amount of the offered securities which the individual underwriters have remaining unsold. Moreover, it would also seem appropriate for the agreement between underwriters to contain provisions requiring the individual underwriters, upon request of the manager, to deliver to him unsold securities, at or below the offering price, for the purpose of reducing the syndicate short position.

"While an agency relationship may not exist between the manager of the syndicate and members of the selling group, there is a community of interest between them and the manager's purchases redound to the benefit of the members of the selling group. And since the relationship between the selling group and the syndicate is customarily determined by contract between the two, and since, in effect, the members of the selling group are selling securities for the manager and the syndicate which he represents, it would likewise seem appropriate for the contract between the underwriting syndicate and the selling group to contain provisions analogous to those mentioned above."

Opinion Dealing With Raising Prices of Securities During Distribution

In the second case, Mr. Treanor's opinion deals primarily with the case of certain members of an underwriting group, who, while they or other members of the group or members of the selling group are still engaged in the distribution of a security, effect transactions in such security. In such a situation, Mr. Treanor points out, an underwriter's purchases which raise the market price of the security or which create excessive trading therein, are illegal regardless of whether the transactions are characterized as "stabilizing" or "trading" transactions.

The opinion applies both to exchange securities and to over-the-counter securities.

The text of the opinion follows in full:

"You have asked me for an opinion as to the legality of certain transactions you propose to effect in the debentures of 'X' Corporation which are being publicly offered at a fixed price by an underwriting group of which you are a member.

"I understand that the debentures became effectively registered under the Securities Act of 1933 several days ago, and that the offering was made on the day following the effective date. I also understand that since the commencement of the offering one of the underwriters, acting as manager of the group and as the agent for all of the underwriters, has been effecting purchases of the debentures for the purpose of facilitating the distribution. You have not yet disposed of some of the debentures which, as an underwriter, you purchased from the issuer, and as a member of the selling group have purchased additional debentures from the manager. You have been selling the debentures at retail at the fixed public offering price.

"You state that, in addition to distributing the debentures through your retail department at the fixed public offering price, you yould like to buy and sell the debentures, through your trading department, at prices which may exceed the price at which your retail department has been making sales. You ask whether such 'trading' transactions, if effected prior to the completion of the distribution, would violate any of the anti-manipulative provisions of law.

"I believe that discussion of the problem will be facilitated by considering initially the legality of purchases made at prices varying from the offering price when such purchases are made by the manager.

"Since the debentures are not registered on a national securities exchange, Section 9 (a) (2) of the Securities Exchange Act of 1934 is not by its terms directly applicable. However, the Commission has consistently expressed the view that transactions which would violate Section 9 (a) (2), if effected in a registered security, would be in violation of Section 15 of the Securities Exchange Act and Section 17 (a) of the Securities Act of 1933, if effected in a security which is not so registered. In this connection, I refer to you In the Matter of Barrett & Company (Providence, Rhode Island) et al., 9 S.E.C. 319 (1941), Securities Exchange Act Release No. 2901, p. 9, et seq. Therefore, the provisions of Sections 9 (a) (2) are pertinent in determining whether the general fraud provisions of Section 15 of the Securities Exchange Act and of Section 17 of the Securities Act have been violated.

"Section 9 (a) (2) of the Exchange Act makes it unlawful, directly or indirectly, 'to effect, *alone or with one or more other persons*, a series of transactions in any security registered on a national securities exchange *creating actual* or *apparent active trading* in such security or *raising* or depressing *the price* of such security, *for the purpose of inducing the purchase* or sale *of such security by others*.' (The emphasis is mine.)

"In determining the application of these provisions to purchases made by the manager, consideration must also be given to whether they constitute lawful 'stabilizing' transactions, in which event they would not be subject to the anti-manipulative provisions of the type described in Section 9 (a) (2). The Commission has stated that it considers 'stabilization' to facilitate the distribution of a security to be 'the buying of a security for the limited purpose of preventing or retarding a decline in its open market price . . . ' Securities Exchange Act Release No. 2446, March 18, 1940, p. 3.

"Obviously, lawful 'stabilization' does not encompass transactions which raise the price of the security or which create actual or apparent trading greater than that necessary to prevent or retard a decline in the price. When a block of an unregistered security is being publicly offered and transactions in that security admittedly are being effected for the purpose of facilitating the distribution, it is clear that the distributors have the purpose of inducing the purchase of the offered security by others. It also follows, in my opinion, that under such circumstances transactions by the stabilizers raising the price of the security or creating greater trading activity than is necessary to prevent or retard a decline in such price clearly would be in violation of the general fraud provisions of the two Acts.

"Thus, in the situation described in your letter, if the manager effected transactions in the debentures which raised their price or created more trading therein than was necessary to stabilize effectively the price of the debentures, in my opinion such transactions would be in violation of Section 15 of the Securities Exchange Act and Section 17 of the Securities Act. In this connection, I would like to point out that purchases above the offering price, while the distribution is going on, would be unlawful, in my opinion, even though independent quotations and transactions at a higher price may be found. Such transactions are obviously not necessary to facilitate the distribution and would be considered as creating excessive trading.

"Moreover, if the manager of an underwriting group who has authority to purchase securities on behalf of the syndicate effects unlawful transactions, the individual members of the underwriting group are, as a matter of law, likewise responsible for the unlawful acts, since the manager of a syndicate is no more than an agent for the members of the group. The individual members of the group are liable as principals for such unlawful transactions.

"Since the members of the group would be liable if the manager effected the transactions, it appears obvious that any member would be in violation of Sections 15 and 17 were he to effect similar transactions directly. When an underwriter is engaged in the distribution of a security he obviously has the purpose of inducing the purchase of that security by others, with the result that when he concurrently effects trading transactions which raise the price of the security, or create trading activity beyond that necessary for stabilizing, it is difficult, if not impossible, to give credence to the view that the trading transactions were not also conducted, at least in part, for the purpose of inducing the purchase of the security by others.

"The foregoing is true, in my opinion, even though the underwriter may have sold all of the securities retained by or allotted to him in the distribution, as long as the manager is still stabilizing to facilitate the offering. While this situation prevails, the manager is still inducing the purchase of the security by others, and the underwriter, as one of the manager's principals, is to be presumed to have the same purpose. In general, as long as the syndicate agreement is in existence and the manager is vested with the power of acquisition and resale of securities customarily conferred upon him by such agreements, all members of the syndicate, whatever their individual positions may be, should be on notice that the distribution is or may be in process and that they are or may still be participants therein.

"The fact that the transactions effected by the trading department of the underwriter are labelled as 'trading' transactions and that it may be asserted that they are effected without knowledge by, or consultation with, its retail distributing organization, does not affect my conclusion. Although the argument has frequently been made that the trading department of a firm which is a member of an underwriting group operates independently of the retail division of the same firm, the fact remains that the firm is a single business organization and that the act of the trading department is legally the act of the distributor.

"Accordingly, I am of the opinion that purchases effected under such circumstances by any department of your firm raising the price of the security or creating excessive trading therein would violate Section 15 of the Securities Exchange Act and Section 17 (a) of the Securities Act.

"Thus far this discussion has been confined to the situation in which the manager of an underwriting group is stabilizing, on behalf of the members of that group, to facilitate an offering. However, my conclusion that so-called trading transactions which raise prices or which create excessive trading activity during the course of the distribution are in violation of law does not depend upon the existence of a stabilizing operation. When an underwriter or selling-group member is still engaged in offering the security he is inducing the purchase of that security by others. Transactions by the underwriter at that time which create excessive trading activity in the security or which raise the price thereof, are illegal, regardless of whether they are characterized as 'trading' or 'stabilizing' 'transactions."

From Washington

(Continued from first page)

Stalin at Churchill's birthday party, and once again an accord was reached.

We don't know whether these "historic" things are as terrible on the enemy's nerves as they are purported to be. In fact, we do not see how the enemy knows anything about them except what the leaders want them to know, and in this latest greatest breathtaking event, they seemed to take a delight in telling the people about it.

But whatever it is doing to the enemy's nerves, we know that it is terrible on ours.

This last one seemed to be on the way of being just about as much as we could stand. And it is our guess that if the propaganda build-up had not gone wrong the let-down would have been sickening; it would have caused no end of harm to this country's morale.

Our correspondents and radio commentators are indignant because of the mishandling of the American press. To this writer's mind, it was the country's break.

By the time Mr. Roosevelt had been out of the country for a week there was hardly a hamlet in the country that didn't know about it. Then the rumors went wild. Stories were published that momentous developments were about to take place. One that received wide credence was that the Big Three were to deliver an ultimatum right then and there. Then there came an outburst of peace rumors, from Lisbon, Madrid and Stockholm. Goebbels was undoubtedly at work and he did a good job. Our players at the so-called war of nerves asked for it; they were getting it.

The result is that thousands, perhaps millions of mothers in this country thought the war was about to end. This was the state of suspense in Washington; in Congress; in the newspaper corps.

Had we still been in this state of suspense when the meaningless communique finally came through, there would undoubtedly have been a breaking of nerves all over the place.

Fortunately, the truth became known slowly. First, there was the "momentous" announcement regarding Japan. It was apparent then that the conferees were barking so loudly because they had nothing else to offer. Then the release in Moscow on the Teheran confab prepared us for the worst. It was good that it came this way, by degrees.

A few days before the Teheran conference one of the White House intimates was in a highly nervous state. He told us frankly that the country was in for the greatest let-down it had ever experienced. It was utterly impossible for the miracle to be accomplished that was apparently being looked for, he said. He will undoubtedly have a lot to tell his Chief about what the war of nerves in this instance really was.

We have considerable support for our belief that Messrs. Roosevelt and Churchill realized what they had gotten into and deliberately botched up the press handling. If this is true, we hope they have learned their lesson. They seem to be the only ones of the leaders who dote on these "history-making" events which in a few years, in a clearer perspective, will prove not to have been history making at all. The history is being made by those who are doing the fighting.

The impression is growing, in this connection, that Messrs. Roosevelt and Churchill are reluctantly being pushed closer and closer to the so-called second front, and how they hate it. Which is the state of mind of everybody who values human life.

Treas. Proposals For Raising Corp. Taxes Shake Nation's Economic Foundations: Friedman

(Continued from first page)

Our Treasury proposals to increase corporation income taxes always break the stock market. The British are not subject to a double tax on corporate income but we are. Compared with September, 1939, the London stock market is now about 50% higher but the New York Stock market is about 17% lower. If you raise the rates, the market will fall. If you lower the rates, the market will rise.

Under Treasury proposals, United States will have the highest corporation tax in the world, equalling the Nazis, who do not tax excess profits. The United States will have the highest excess profits tax in the world, matching Great Britain's, which does not tax corporation income.

Your Committee is considering the House Bill which would raise the excess profits tax from 90% to 95%. This would not be an unreasonable proposal if we had not in 1941, changed the sequence of deducting the tax.

For railroads and utilities, the tax proposals may be illegal. The courts have held as confiscatory returns, after all taxes, of 4.59%, also 3.65%, and also 2.48%. An invested capital base of 4% with a 50% corporate income tax will produce returns that have been declared confiscatory and illegal.

The Committee might consider the following recommendations on the corporation income tax: (a) Permit increased reserves for wartime depreciation; (b) Exempt amortization of debt; (c) Permit reserves for economic transition to peace; (d) Treat preferred stock dividends exactly like bond interest. Both are fixed charges; (e) Tax publicly-owned corporations competing with private enterprise. In Soviet Russia the hydro-electric plant at Dnieperstroy paid a 40% corporation tax (not 50%). But our own TVA and municipally-owned utilities pay no federal taxes. If they did, the Treasury could collect $150,000,000 in revenue from them and at least $50,000,000 from holders of their securities, now tax exempt. (f) Shift our corporation tax to the British basis after the war. Responsible Treasury officials publicly favored this trend in policy. Hon. Randolph E. Paul stated so in addresses at the Detroit Economic Club March 1, 1943, and at the new School, November 16, 1943.

As a sound and realistic program, the corporation income tax should be deducted before excess profits tax, if you raise the rate to 95%. As a minimum program, if you retain the present unsound and unrealistic sequence, the rate of 90% of excess profits tax should not be raised, and the invested capital base should not be lowered to 4%.

Warns Kilgore Bill Will Hamstring Science & Industry

James D. Cunningham, Chairman of the Committee on Patents of the National Association of Manufacturers, charged on Nov. 29 that Senate Bill 702 (the Kilgore bill) would "stifle science and make it impossible for American business to maintain maximum postwar production and full employment."

Mr. Cunningham, President of Republic Flow Meters of Chicago, further stated that the effect of the measure is to "authorize the complete socialization of all forms of property, plans, technical information, and 'know how' of all industries, and all personnel devoted to scientific and technical effort.

"How we can expect to achieve full postwar employment if we hamstring science and industry and destroy the incentive for invention and research is incomprehensible," he continued.

Announcing a distinguished six-man panel on the topic, "Whether Research?" at the Second War Congress of American Industry in New York City on Dec. 8, 9, 10, Mr. Cunningham said that the Kilgore bill would create the most despotic authority ever given to a single officer (the proposed administrator)."

As a prelude to the panel discussion two important talks were announced. "Small Business and the Patent System," by a small businessman, John W. Anderson, President of the Anderson Co., Gary, Ind.; and "Congress and the Patent System," by Senator Albert W. Hawkes, Republican of New Jersey.

Mrs. Luce Cites Lack Of Law On Deferred Men Of Draft Age

Representative Clare Boothe Luce (Rep., Conn.) said on Nov. 24 the law draws "a cruel and unfair distinction" between the home front and the battle front in responsibility of men of fighting age. In a speech on the National Forum of the air, Mrs. Luce said that "men who are sent to the battle front are required by law to be prepared to die for freedom. Men of the same age, deferred on the home front, are not even required by law to work for freedom."

In Associated Press Washington advices Nov. 24, as given in the New York "Herald Tribune" it was further reported:

Mrs. Luce spoke in behalf of her bill, under study by the House to establish an Army and Navy maintenance corps of deferred draft-age men. They would be assigned to jobs in war industries, or other essential duties.

Mrs. Luce said her bill would not affect any deferred man already working in an essential war occupation, but would call up for the maintenance corps those deferred men not yet working in essential jobs.

Mrs. Luce said further, without elaborating, that her bill would "tend to prevent and stop strikes, and it will largely stop labor turnovers, among workers of draft age."

"The bill will also help to curtail the drafting of fathers," she added.

Finns Reported Continuing War Against Russia As Full-Fledged Partner Of Germany

Finland has quietly dropped the propaganda line that she is fighting a private war, disassociated from the world conflict and apparently has decided to continue the fight against Russia as a full-fledged partner of Germany, it was reported Dec. 3 in an Associated Press dispatch from Stockholm. These advices further said:

This decision, following a period in which some Finnish leaders showed a tendency toward trying to get out of the war, was taken as the only practical alternative to plans formulated at the Moscow Conference, which the Finns interpreted to mean they would have to surrender unconditionally, a reliable informant said.

In line with the new policy, which also reflected growing Nazi pressure, a directive was said to have been sent to the controlled Finnish press, instructing it that thereafter there should be no mention of a separate war. A stricter censorship also was reported to have been clamped down on the press, into which public sentiment for peace had sometimes found its way.

According to information reaching Stockholm, Premier Edwin Linkomies and Foreign Minister Sir Henrik Ramsay called the turn in a debate on future policy following the meeting of the representatives of Great Britain, the United States and Russia at Moscow.

The Finnish Cabinet, in effect, had decided to cling indefinitely to the line it had been pursuing since Hitler invaded Russia, but the communique issued at the Moscow meeting, it was said, left the Finns asking themselves, "what does it mean for Finland?" Unconditional surrender was the only answer they could find and this they decided they could never accept, preferring rather to fight on alone even after the Axis capitulated, it was reported.

Called to Helsinki for consultation following the Moscow conference, Toivo Kivimaeki, Minister to Berlin, was quoted as telling a secret session of the Parliamentary Foreign Affairs Committee that "we must please the Germans. There has been too much pro-ally tendency and too much anti-German demonstration."

Germany, meanwhile, appears to have received what she wanted. She has agreed to furnish Finland tens of thousands of tons of grain and sugar by January 1, and official Nazi newspapers are printing laudatory articles about "Finland's example" in which they emphasize that Finland is a "comrade in arms."

Irving Fisher Warns Against "Killing Taxes"—Urges Forced Savings to Combat Inflation

A program to combat inflation should include compulsory savings, Irving Fisher, Professor Emeritus of Economics at Yale University, told the Senate Finance Committee on Dec. 4, at the same time warning against "killing taxes" on the rich and on corporations.

In reporting his testimony, United Press Washington advices stated:

He attacked increased corporation taxes as "killing many geese that would lay golden eggs," and warned that inflation was the real problem that is just beginning.

"It is hard for me to believe," he said, "that the American people are so stupid as to think that they are 'soaking the rich' by these killing taxes."

"What we need is not so heavy taxation on business expansion, checking that expansion," he said, "but heavier subscriptions to Government loans to create more expansion."

He urged loans to the Government out of savings as the best means of preventing inflation and insisted that compulsory savings must be adopted "at once."

"The most promising program for combating inflation seems, therefore, to be threefold: Taxing spending more, taxing savings less or not at all and making savings compulsory in the form of investments in War Bonds."

Landon Predicts Dewey's Nomination; Says Willkie Out Of Running

Alfred M. Landon, in departing from Washington, made two predictions, said a North American Newspaper Alliance dispatch from Washington on Dec. 5 in the New York "Times." The advices reported the predictions as follows:

1. That Gov. Thomas E. Dewey of New York will be nominated for President by the Republicans not later than the second convention ballot.

2. That Wendell Willkie, before convention time, is likely to slip almost completely out of the running.

Mr. Landon has traveled extensively in the Middle West and has made a practice to spend a forthnight in the East, principally in Washington and New York, every six months.

He basis his prognosis on the opinions he is finding among Republican party leaders now, as compared with their expresions when he journeyed East six months ago.

New Members Of N. Y. Chamber Of Commerce

Edward V. Rickenbacker, President of Eastern Air Lines, Inc.; C. Donald Dallas, President of the Revere Copper & Brass, Inc.; William E. Speers, President of James McCutcheon & Co., and L. R. Close, President of the Lehigh Valley Coal Sales Co., were among those elected to membership in the Chamber of Commerce of the State of New York at its monthly meeting held on Dec. 2. The others elected are:

Harold A. Brown, New York Manager, Eli Lilly & Co.; Wallace A. Chauncey, Vice-President and Treasurer, Interchemical Corp.; Joseph C. Dietsche, 2nd Vice-urer, Geigy Co., Inc.; Dudley W. Figgis, Executive Vice-President, American Can Co.; Joseph H. Hazen, Vice-President, Warner Bros. Pictures, Inc.; John I. H. Herbert, Vice-President and Treasurer, J. C. Penney Co.; John B. Lewis, Vice - President, Allied Control Co.

Also Philip McGuire, New York Manager, Bayuk Cigars; Maersk McKinney Moller, President, Interseas Shipping Co., Inc.; Rowley W. Phillips, President Self Winding Clock Co.; Clarence D. Roxby, Traffic Manager, Nestle's Milk Products, Inc.; Edward M. Van Buren, Insurance and William Wyer, Chief Executive Officer, Central Railroad of New Jersey.

The American Can Co. and Warner Bros. Pictures, Inc. have been elected to corporate membership in the Chamber.

National Industrial Council Calls For Federal Policy On Contract Termination

At the first session of the meeting of the National Industrial Council in New York on Dec. 5, manufacturers' representatives expressed the opinion that the main needs of industry in establishing its post-war program are a definite Federal policy as to termination of war contracts and a Federal tax program permitting the setting aside of reserves with which industry may finance its own reconversion.

The meeting precedes the annual convention of the National Association of Manufacturers.

This was reported in the New York "Herald Tribune" of Dec. 6, which also said:

Herman H. Lind, of Cleveland, President of the American Institute of Bolt, Nut and Rivet Manufacturers, said his own industry was principally concerned in "being left financially healthy" after the war.

"We all know we have to pay a lot of taxes," he said, "but nobody knows what kind of a deal we are going to get in the reconversion. If war contracts are shut off immediately, some plants are going to have only two or three pay rolls ahead of them—that is the most dangerous thing."

Roy F. Williams, General manager of the Associated Industries of Massachusetts, said industry also wanted to "make sure the government does not dump surplus war supplies on the open market in open competition with civilian production.

E. H. Rollins & Sons Sued For Accounting Of Funds By Church

The Board of Missions of the Methodist - Episcopal Church, South, Chicago, filed suit in Federal Court on Nov. 26 to recover in excess of $500,000 from E. H. Rollins & Sons, Inc., brokerage firm, it was reported in press advices from Chicago—Incidentally, it was indicated in the New York "Times" of Nov. 27 that E. H. Rollins & Sons, Inc., said on Nov. 26 that the suit filed by the Board of Missions of the Methodist Episcopal Church, South, was an outgrowth of proceedings filed against the firm on Jan. 19, 1943, by the Securities and Exchange Commission, "which have not been concluded."

"The officials of the board who administered the funds and who heretofore testified were entirely satisfied with the services rendered by E. H. Rollins & Sons, Inc.. and were proud of the record of their investments," the statement said. "The allegations in the suit will be answered and resisted."

The suit, it is stated, named as defendants E. H. Rollins & Sons and Walter C. Rawls, manager of the firm's St. Louis offices.

In the Associated Press advices from Chicago Nov. 26 it was stated:

Asserting that the defendants had "wrongfully converted" for their own benefit sums in excess of $500,000, the suit asked an accounting of and payment to the plaintiff corporation of all moneys allegedly withheld by the defendants, together with interest.

The SEC concluded last April an investigation to determine if the brokerage house and Mr. Rawls had violated any provisions of the Securities Act in connection with the firm's dealings with the Methodist account. The SEC still has the case under advisement.

The Board of Missions of the Methodist Episcopal Church, South placed its official position in the record before the Securities and Exchange Commission in Philadelphia on Dec. 6.

The hearings on proceedings instituted by the S. E. C. were actually concluded last June in Chicago. but the Board of Missions recently asked a reopening of the record to permit introduction of new testimony.

Bishop Arthur J. Moore, of Atlanta, president of the board, testified before Richard Townsend, trial examiner, that he was "not satisfied" with the transactions. He thus repudiated, in effect, the statement signed by the Rev. Dr. W. G. Cram, general secretary of the board, and Mrs. Ina Davis Fulton, treasurer of its women's section, to the effect that their dealings with Mr. Rawls were satisfactory.

"I know of no other authority given to those who expressed satisfaction with the Rollins transactions," he said.

The official attitude of the board, Bishop Moore explained, was contained in a resolution adopted Sunday at a meeting of the executive committee at Buckhills Falls, Pa., which approved the board's action in retaining counsel to assert its rights and ratified the civil suit filed recently in the Federal District Court in Chicago for $500,000.

It is expected that the commission soon will set the date for oral argument in the matter.

Roger Babson's 1944 War, Political Forecasts

(Continued from first page)

paign. Certainly this will be satisfactory to his people as the invasion of France would cost a great many English, as well as American lives. As military leaders apparently believe that the invasion of France is absolutely necessary before Germany quits, this means that Germany may not be allowed to crack until after the elections of November, 1944 unless her oil supply is lost before then. Whether or not Mr. Churchill can delay the fall of Germany eleven months more is a question. The length of the Pacific Japanese conflict depends upon Mr. Stalin. He can end it in six months after Germany cracks or he can drag it along six years if he wishes to exhaust the United States and Britain so Russia will be the world's "top dog."

General Business

One thing is very certain, namely, that after Germany cracks there will be a temporary industrial shake-up in the United States. Military orders for almost everything, except airplanes and ships and certain munitions will be cancelled. Even the shipbuilding program will materially be cut down. Plants at or near the West Coast will be kept in full operation until the Japanese are whipped; but there will be many shut-downs in the eastern portion of the United States accompanied by a decline in railroad earnings on all but the transcontinental lines.

Army recruiting will abruptly stop and a demobilization of the Army (not the Navy) will begin. This demobilization accompanied by the cancellation of war contracts is sure to cause considerable unemployment. To sum up the business outlook I would say: FROM JANUARY I TO THE TIME GERMANY CRACKS BUSINESS WILL CONTINUE AS IS. FROM THE TIME THAT GERMANY CRACKS THROUGH DECEMBER 31, 1944, WE MAY SEE BUSINESS CHAOS.

Dec. 15 Tax Filing Date For Farmers And Other Groups

Dec. 15, 1943 is a special tax date for American Farmers, Commissioner of Internal Revenue Robert E. Hannegan said on Dec. 1.

The announcement said that although a limited number of nonfarmers also will have tax payments to make or declarations of estimated tax to file, Commissioner Hannegan explained that Dec. 15 will be the first date by which farmers will be required to file "Declarations of Estimated Income and Victory Tax", similar to the declarations filed by nearly 12,000,000 persons on Sept. 15.

Commissioner Hannegan in his advices said:

"By the very nature of his business, the farmer could not be put on quite the same basis as the city wage earner when Congress adopted the pay-as-you-go system.

"In the first place, the farmer usually has no wages from which tax can be withheld. In the second place, because of the hazards of weather and other conditions of agriculture, the farmer could not be expected to estimate his income until most of the crops were gathered and sold.

"Therefore, to make the pay-as-you-go system as fair as possible to farmers, the law makes two special provisions. First, farmers who file returns on a calendar year basis need not estimate their income and tax until Dec. 15 of each year, and second, a farmer's estimate will be exempt from penalties for understatement if the tax estimate is within a 33⅓% margin of error (based on the annual tax return to be filed, as usual, the following March).

"Under these provisions, the farmer is enabled to pay his income taxes substantially in the same year as the income is received, which is the primary objective of the pay-as-you-go system—with due regard for the special difficulties of the farming business."

From the announcement we also quote:

"Dec. 15 is also a filing date for two other groups of citizens. Anyone who filed a declaration on or before Sept. 15 but who underestimated his tax substantially—20% in the case of a nonfarmer, or 33⅓% in the case of a farmer—should file an amended declaration by Dec. 15 to avoid penalties prescribed by law for such substantial underestimates. The special provisions relative to farmers will apply to all persons who expect that at least 80% of their total estimated gross income from all sources will be from farming.

"The other persons who must file by Dec. 15 are those who did not file in September because they anticipated that their income for the year would not be sufficient to require filing but who now find that their income will be high enough to require filing a declaration.

"The general requirements for filing a declaration, for both farmers and non-farmers, include all persons who had in the calendar year 1942 or expect to have in the calendar year 1943 any of the following amounts or types of income:

"1. More than $100 gross income from a source outside of wages subject to withholding and also sufficient gross income to require filing an income tax return ($500 for a single person, $1,200 for a married couple, or $624 for an individual married person).

"2. Wages subject to withholding totaling more than $2,700 if single, or $3,500 if married (married couples must file declarations if such wages of husband and wife together exceed $3,500).

"In addition, the declaration is required of any one person who was required to file an income tax return for 1942 and who expects his wages subject to withholding in 1943 to be less than similar wages were in 1942."

Urges Further Cut In Newsprint Use

A further reduction of 23% in total use of newsprint in the first quarter of 1944 has been recommended to the War Production Board by its Newspaper Industry Advisory Committee Harry M. Bitner, Director of WPB's Printing and Publishing Division, said the recommended cut was intended to save 194,000 tons of newsprint. He said the cut would range from nothing for smaller newspapers to as high as 28% for larger publications. United Press advices from Washington from which we quote, also said:

The committee's recommendation was in the form of resolutions which said the first quarterly quota for each paper should be "100% of the amount of paper used in printing its net paid circulation in the corresponding quarter of 1941, plus 3% for waste, plus the percentage of increases of its net paid circulation in the fourth quarter of 1942 over the fourth quarter of 1941. From this base deductions shall be made to conform with the available supply."

The committee also recommended that any saving effected should be carried over for use in the second 1944 quarter.

The WPB's Book Publishing and Manufacturing Industry Advisory Committee has recommended a 15% additional cut in the supply of print paper for book publishers for 1944.

The cut would be based on 1942 consumption. Since publishers already are operating under a 10% curtailment, the newly recommended slash would bring toal reduction in 1944 to 25% of the publishers' 1942 usage.

Capital Stock Increased By Portland (Ore.) Bank

At the special meeting of stockholders of the United States National Bank of Portland, Ore., on Dec. 2, approval was voted on the plan of increasing the bank's capital structure to $16,000,000 by the issuance of 75,000 shares of new capital stock at $40 per share. The new stock will add $3,000,000 to the bank's present capital structure of $13,000,000. Stockholders of record Dec. 2 will be offered rights to purchase one share of the new stock for each three shares held. These rights expire Dec. 17. Dividends in the recent past have been paid at the rate of $1.40 per share. According to Paul S. Dick, President, the dividend rate beginning Jan. 1 will be $1.60 per share. "Much of the earnings in the past," said Mr. Dick, "have been applied to increase the bank's working capital, but with this additional amount supplied by the public it is consistent with present-day earnings to increase the dividend rate as proposed."

Such of the new stock as is not subscribed for by present holders will be offered to the public by a group of investment bankers consisting of Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Atkinson, Jones & Co.; Blankenship, Gould & Blakely; Ferris & Hardgrove; Hemphill, Fenton & Campbell, Inc., and Conrad Bruce & Co.

Plans for this capital increase were noted in our issue of Nov. 25, page 2129.

Chinese Exclusion Act Repealed by Senate

Congressional action on the legislation repealing the Chinese exclusion acts and extending naturalization laws to allow the Chinese citizenship was completed on Nov. 26 when the Senate approved it by a voice vote.

The legislation, which had been recommended by President Roosevelt in a special message on Oct. 11, passed the House on Oct. 21. The measure repeals all existing provisions excluding Chinese, apply immigration quota provisions and extends naturalization laws to them. It was pointed out that only 105 Chinese would be allowed to enter the United States each year under the immigration quota law. It is estimated that over 40,000 Chinese residents would be eligible for citizenship.

House passage was referred to in our isue of Nov. 4, page 1817.

Mme. Chiang Kai-shek, wife of the Chinese Generalissimo, congratulated Congress on Dec. 4 on "the statesmanlike action" in repealing the Chinese Exclusion act, saying it was "a deed which will echo round the world".

In a cablegram from Chungking to Vice President Wallace and Speaker of the House Rayburn, Mme. Chiang said:

"Please convey my warmest congratulations to the Senate and the House of Representatives on the statesmanlike action in passing the Warren-Magnuson bill and thereby repealing the Chinese exclusion act.

"The recollection of the spontaneous and touching welcome that Congress and the American people accorded me when I was in America will ever remain fresh in my mind.

"Congress, which voiced the sentiment of the American people, has once again shown its friendship to China, not only in words, but in a deed which will echo round the world.

"By this vivid and concrete demonstration of the unity of the United Nations, you have unmistakably reaffirmed the liberal leadership we have all come to expect from Washington."

Ill.-Wis. Home Loan Units Raise Bond Sales

The $46,234,414 contribution of the savings, building and loan associations in Illinois and Wisconsin to the Third War Loan, both by sale to the public and by purchase, is a demonstration of the increasing appeal of government securities to the nation as the war proceeds, it was said on Oct. 28 by A. R. Gardner, President of the Federal Home Loan Bank of Chicago. In reporting this the announcement from the bank added:

"The bank has just completed its compilation of the participation of member savings, building and loan associations in the last drive, and finds that the total was two and a half times as great as in the Second War Loan, their previous high mark in helping the Treasury. Their performance in the Third War Loan brought up to $101,538,000 the amount of war financing for which these institutions have been responsible in 1943. Significant was the fact that 45.5% of it was done last month alone.

"Sales to the public by these community thrift and home financing institutions in the two States amounted to $15,492,632 in the Third War Loan, or 133% of the April performance. Meanwhile the associations' own purchases during the period of the Third War Loan were practically triple their acquisitions in the previous drive.

Central Gold Reserves Slightly Lower In 1943—Production Drops From 1940 High

The October number of the League of Nations Monthly Bulletin of Statistics, which has just been published by the League Mission at Princeton, N. J., contains, in addition to the regular tables, special tables showing World Production of Gold, 1933-1942, and Recorded Central Gold Reserves at the end of December, 1929, 1935-1942, and at the end of June, 1942 and 1943, expressed in millions of old U. S. gold dollars. The Bulletin contains the following:

World production of gold, outside the U. S. S. R., reached a record figure of 1,130,000 kilos (36,300,000 ounces) in 1940, declining to about 1,120,000 kilos (36,000,000 ounces) in 1941, and to an estimated 1,000,000 kilos (32,000,000 ounces) in 1942. The Union of South Africa accounted for over 38% of world output (outside the U. S. S. R.) in 1940, Canada for over 14%, the United States for over 13%, Australia for 4-5%, and the Philippines for 3%. About two-thirds of the aggregate originated within the confines of the British Empire. Production in 1942 decreased in practically all countries, whether large or small producers, for which data are shown; there was a drop of 27% in the United States, of 23% in Australia; of 9% in Canada, and of 2% in the Union of South Africa. No precise official figures are available for Soviet Russia's production; private estimates for 1937 ranged from 136,000 kilos (4,400,000 ounces) to 168,000 kilos (5,400,000 ounces).

The total of recorded central gold reserves outside Soviet Russia rose from 10,246,000 of old gold dollars at the end of 1929 to about 18,016,000 millions at the end of 1942, an increase of some 75%, but was slightly lower, about 17,956,000, at the end of June, 1943. But whereas in 1929 45% of these reserves were located in Europe and 38% in the United States, in 1942 no less than 75% were held by the United States and only 18% by European countries, part of which had actually been transferred from the Continent. The following table compares, for continental groups and principal countries, central gold reserves during the war years with those at the end of 1929:

In Millions of Old Gold Dollars

	December 31				June 30
	1929	1938	1940	1942	1943
Africa	68	170	250	416	385
Union of South Africa	37	130	211	375	344
North America	4,051	8,684	12,995	13,426	13,226
Canada	151	113	4	3	3
§United States	3,900	8,571	12,991	13,429	13,223
Latin America	713	419	405	464	557
Argentine	405	255	208	209	209
Brazil	150	19	30	68	‡84
Mexico	7	17	28	23	74
Asia	731	333	389	435	435
India	128	162	162	162	162
Japan	542	97	97	---	---
Europe	4,566	*5,230	*2,950	†3,260	†3,338
Germany	560	27	24	24	24
§Belgium	163	430	434	434	434
Spain	495	*	*	25	38
§France	1,631	1,435	1,181	1,181	1,181
Italy	273	114	---	---	---
Netherlands	180	587	365	299	293
§United Kingdom	710	1,588	---	---	---
Sweden	66	189	95	198	205
Switzerland	115	413	297	487	512
Oceania	117	15	15	15	15
Total ex U. S. S. R.	10,246	*14,850	†*17,004	†18,016	†17,956

*Excluding Spain. †Partly estimated. ‡As of April 30. §Excluding gold held by exchange equalization funds amounting to:

End of—	1938	1939	1940	1941
United States	47	92	28	†52
United Kingdom	*448	†1,023	172	*89
Belgium	26	10	10	--
France	195	‡282	--	--

*Sept. 30. †March 31. ‡May 31.

Industrial production in the United States in September stood 124% above the 1939 level; compared with that level production was up by 654% in the transport equipment industry, by 325% in the engineering industry, and by about a third in the mining, textile and food industries. In Canada, industrial production reached a new high point in August, 3% above July and 163% above the 1939 level.

Wholesale prices remained practically unchanged in Canada and the United States during the third quarter of 1943. In Latin America, the upward movement appeared to be somewhat slowed up around the middle of the year; indeed, a drop of 13% was registered in Costa Rica between May and September. Latest data available show a continuing rise in Asia, particularly in India. In Germany, Denmark, Norway, the United Kingdom, Sweden and Switzerland, wholesale prices have, according to the latest figures, changed but little during 1943. No change in the wholesale price-level in Australia and New Zealand occurred between June and August.

The cost of living in September showed no change in Canada, but rose one point in the United States after falling one point in each of the two preceding months. The following table illustrates for a number of countries the rise in the cost of living between the first half of 1939 and the end of 1942 and the latest month available in 1943, generally in the third quarter:

	Dec.31 1942	*1943
Iran	†348	---
Turkey (see note)	340	‡356
Palestine (Jewish)	264	§268
Egypt	214	¶235
Chile	182	200
Finland	181	191
India	181	**200
Spain (see note)	166	164
Denmark	157	155
Hungary	152	155
Norway	150	151
Switzerland	146	149
Portugal	145	159
Sweden	142	142
Japan	133	¶140
Mexico	129	167
United Kingdom	129	129
United States	122	125
Australia	†122	‡124
Union South Africa	120	125
Canada	116	119
New Zealand	116	---
New Zealand (see note)	100	100
Argentine	113	108
Uruguay	109	‡113
Germany	107	112
Colombia	106	117

*Latest month available in 1943. †Nov. 30. ‡May 31. §Feb. 28. ¶April 30. **March 31.

Note—Cost of living base, Jan. to June, 1939, equaled 100, except in Turkey where base was 100 in 1938, in Spain 100 in July, 1939 and New Zealand 100 in Dec., 1942.

For China (Chungking), the cost of living index, base 1939=100, stood at 2249 in August, 1942, and at 6074 in July 1943.

It will be observed that the cost of living has not risen above the December, 1942, level in Sweden, New Zealand and the United Kingdom and has actually fallen below that level in Argentina, Denmark and Spain.

The above cost of living indices are based on official prices and do not, therefore, take into account the black market which is important in German-controlled countries.

In the United States, sight deposits in the weekly reporting member banks of the Federal Reserve System fell during September, the month of the Third War Loan Drive, by $5,120,000,000 or by over 14%.

Lend-Lease Food Sent In 9 Mos. Of 1943

The Foreign Economic Administration issued on Nov. 17 a report on lend-lease food shipments for the first nine months of 1943, showing that beef and veal shipped amounted to 1.3% of the country's supply, whereas in 1942 it amounted to 0.3 of 1% of our supply.

"Since the lend-lease program started," the report continued, "we have received from Australia and New Zealand almost as much beef and veal as we exported to all lend-lease countries. Lamb, mutton and pork exports during the first nine months of 1943 showed an increase over the amounts shipped in 1942. Substantial quantities of lamb and mutton have been received for the use of our forces from Australia and New Zealand under reverse lend-lease."

The report also showed that lend-lease exports of all milk products in terms of the fluid equivalent were 3.2% of our supply, a slightly lower rate of export than in 1942, when 3.4% of the supply was shipped abroad. Exports of dried whole milk, dried skim milk and condensed and evaporated milk are up somewhat this year compared with last, but the amount of cheese exported is substantially below the 1942 shipments. Exports of cheese through lend-lease amount to 11.4% of the available national supply. For 1942 they were 23.1%. Relatively small amounts of foods which are in short supply in this country, such as butter and canned goods, are being exported under lend-lease, the report commented.

American lend-lease food shipments during the first nine months of 1943, in terms of pounds, were as follows, according to the United Press:

All meats, 1,718,200,000, or 9.6% of the country's total supply, compared with 5.8% shipped in 1942.

All milk products (including 42,200,000 pounds of butter), in terms of fluid milk equivalent, 2,911,700,000, or 3.2% of supply, compared with 3.4% last year.

Dried eggs, 622,300,000, or 10.6% compared with 10%.

Edible fats and oils, 733,800,000 or 13.9%, compared with 13.2%.

Canned fish, 163,300,000, or 21.2%, compared with 22.5%.

Canned fruits and juices, 84,200,000, or 2.5%, compared with 1.70%.

Dried fruits, 207,900,000, or 21.1%, compared with 15.7%.

Canned vegetables, 59,100,000, 1.0%, compared with 0.8%.

Dried beans, 228,500,000, or 10.3%, compared with 5.0%.

Dried peas, 84,000,000, or 14.2%, compared with 6.0%.

Corn and corn products, 295,000,000, or 0.1% (same as last year).

Wheat and wheat products, 837,500,000, or 0.9%, compared with 0.3%.

Walter W. Price Dies

Walter W. Price, limited partner in Abbott, Proctor & Paine, 14 Wall St., New York City, died at his home at the age of 77.

Associated with Wall Street for 55 years, Mr. Price at various periods in his career was a newspaper reporter, sailor, soldier, stock broker and political leader. He worked as a reporter for the San Francisco "Call" from 1894 to 1897 before becoming a member of Price, McCormick and Company, cotton brokers. From 1904 to 1922 he was a member of E. and C. Randolph, a brokerage firm, and from 1922 to 1934 he was a senior partner of Livingston and Company. He retired as a general partner in Abbott, Proctor and Paine on July 1, 1938. Mr. Price had pioneered in establishing private wires for financial institutions throughout the United States and Canada.

N. Y. Commerce And Industry Ass'n Cites Civic Achievements In Past Year

Direct and indirect savings to New York City's taxpayers of $54,000,000; benefits to trade in general of more than $9,000,000 from new payrolls, on which at least 3,000 New Yorkers found jobs, and increasing contributions to the war effort, can be credited to activity of the Commerce and Industry Association of New York, according to the annual report of the Association's Secretary, Thomas Jefferson Miley, submitted on Nov. 27 to the Board of Directors.

In commending the report, the Association's President, Neal Dow Becker, President of Intertype Corp., said he was confident the record of achievement not only will be maintained but "with the support of our citizens, the Association will increase its value in fostering the trade and welfare of New York."

Heading the list of civic achievements, Mr. Miley pointed to the Association's "victory in heading the opposition resulting in the defeat of Mayor LaGuardia's plan to purchase, at a cost of $14,500,000, the plant of the Staten Island Edison Corp. for municipal operation." Facts furnished by the Association's Research Bureau showed the plant to be worth about half the proposed price, Mr. Miley said. Charles H. Tuttle headed the Citizens' committee conducting the campaign. The Association also was active in the defeat of the proposed power plant authority bill to erect municipal power plants at a cost of $50,000,000, the Secretary said. In the City's annual "Battle of the Budget", as the result of data presented to the City Council by Leo J. McDermott, former Director of the Budget for the City, and now the Association's Research Director, cuts of $5,266,043 were made. In this action, for the first time in the City's history, the Council overrode the Mayor's veto.

An estimated saving of $35,000,000 was afforded taxpayers by defeat of the proposals to increase the sales and business taxes, the Secretary said. Walter Hoving, Association Director, headed the Anti-Sales Tax Committee which represented 50,000 of the City's business enterprises and 92 trade and civic organizations. The advices regarding the report also stated in part:

"Through the Association's Foreign Trade Committee, easing of certain restrictive rulings by the BEW was effected. Results were national in scope, Mr. Miley said. The main recommendation adopted by the BEW was the appointment of an advisory committee to confer with the BEW on new controls prior to their issuance. More than 1,500 exporters and importers here supported the move.

"That appeals for the allotment of more war contracts to New York City, particularly in the field of the small plant manufacturer of consumer goods, were successful was indicated in the drop of the City's 400,000 registered unemployed, in a period of nine months, to fewer than 130,000. Establishment by the Association of a War Contracts division resulted in known repeat orders for small businessess of $4,161,700 in six months' activity. Cooperating in the program were 124 prime contractors and 315 subcontractors. More than 2,000 facility lists were sent out or contracts arranged.

"In line with more war contracts for the City, the Association also succeeded in having more war agencies assigned here under its two-year campaign of Decentralization Service Activities. As a result 5,717 Federal employes were transferred, about 3,000 New Yorkers found jobs in the agencies affected, real estate operators leased 487,772 feet of space and the City in general benefited by a $9,371,000 payroll. Army and Navy also leased vast office space.

"Toward unity of thought and action among local and national groups in achieving post-war conditions in which commerce and industry can thrive, the Association's Committee on Post-War Planning has now moved into its second year. Dr. Fred I. Kent, Association Director, is chairman, and it is composed of 24 leaders in agriculture, business, education, finance and industry.

"The caliber of the committee and the thoroughness with which it is functioning indicate that its contribution to the vital work of post-war planning will be outstanding," Mr. Miley said.

State And Local Committees To Supplement Federal Veterans' Employment Services

State and local clearing house committees to supplement Selective Service Local Board and the United States Employment Service veterans' employment services, and to centralize job-placement services by other interested groups, will be set up the first of next year, it was revealed on Dec. 1 at the weekly Business Forum under the auspices of the Commerce and Industry Association of New York on the subject of "Jobs For Soldiers" and broadcast over station WMCA.

The Commerce and Industry Association will represent New York City commerce groups on the State Committee, Thomas Jefferson Miley, Association's Secretary, Forum moderator, disclosed. Col. Allan M. Pope, Association Director and President of the First Boston Corporation, will serve as the Association's representative.

"All veterans will eventually be given all the services available in or near each community," Frank G. Newcomer, Regional Veteran's Employment Representative for New York State of the War Manpower Commission, said. Col. Arthur V McDermott, New York City Director of Selective Service, said that the reemployment division at Selective Service headquarters here is now so organzied as to be readily capable of expansion to met an increasing volume of business. More than 8,000 had been aided in the past year, he said. The part Sperry Gyroscope Co., as one of the largest employers of labor in the New York City area, is already playing in its voluntary participation in providing jobs for veterans, was described by Otis F. Presbrey, Director of Training. Concern with the veteran's welfare as well as his job progress, was the base of the program, he said.

"Jobs for soldiers is of particular interest to the Commerce and Industry Association," Mr. Miley said, "because in the last war, at the request of the War Department, it took over the task of centralizing all veterans' employment in New York City. In this war, the Association again anticipated its obligations by putting into action a Post-War Planning Committee. Under the chairmanship of Dr. Fred I. Kent, 24 leaders in the fields of agriculture, business education, finance and industry have been at work for more than a year."

Individuals' Liquid Savings In Third Quarter

SEC Warns That Accumulations Of Cash Do Not Constitute Savings In Same Sense As Increase In Security Holdings

A warning that "the magnitude of accumulations of cash and deposits since the beginning of the war" do not "constitute saving in the same sense as increases in holdings of securities . . . but represent in considerable part only a temporary accumulation of funds not earmarked for investment that may at any time be diverted into consumption and other channels," was contained in the quarterly report issued by the Securities and Exchange Commission on Nov. 23, covering the holdings of liquid assets of individuals, including non-corporate business interprises and corporations. The report indicates that the rate of individuals' liquid savings for the third quarter reached a new high for the year, viz., $9,900,000,000.

In its analysis as to the volume and composition of savings, the Commission states that "in the third quarter of 1943, individuals, including non-corporate business enterprises, and corporations continued to augment their large holdings of liquid assets at the extremely high rate of the past year." "Even more than in the prior quarter, investment in U. S. Government securities accounted for the predominant part of the increase in liquid saving and assets," says the Commission, which adds:

The rate of individuals' liquid saving (includes unincorporated business saving of types specified in the attached table) in this quarter reached a new high for the year, amounting to $9,900,000,000 (this includes saving in Government insurance, mostly Social Security funds, amounting to $1,000,000,000). The increase of $700,000,000 over the second quarter saving reflects a normal seasonal rise in the rate of saving as well as an increase in income after payment of taxes. In the three months, July through September, individuals added $2,700,000,000 to their cash and deposits, (includes currency, deposits in checking accounts, and deposits in savings accounts), $5,500,000,000 to their holdings of U. S. Government bonds and $700,000,000 to their equity in private insurance, mostly life insurance. They also paid off somewhat less than $200,000,000 of consumer indebtedness other than mortgages. At the same time they reduced their holdings of corporate securities by $300,000,000.

"As in the previous quarter but to a greater extent, individuals' investment in U. S. Government securities exceeded their accumulation of cash on hand and in banks, due largely to the Third War Loan Drive. Saving of individuals in the form of U. S. Government securities reached a new high in this quarter. While additions to currency and deposits were again substantial, they were less than in the preceding quarter and showed the smallest rate of increase since the second quarter of 1942.

Because of the magnitude of accumulations of cash and deposits since the beginning of the war, they have received considerable emphasis in recent discussions of the public's saving. It may, therefore, be well to note again that additions to individuals' cash on hand and in checking accounts, amounting roughly to $7,000,000,000 and $9,500,000,000 respectively since the end of 1941 (it is estimated that additions to individuals' savings (and time) deposits amounted to $4,500,000 during this period), do not constitute saving in the same sense as increases in holdings of securities and life insurance, or debt liquidations, but represent in considerable part only a temporary accumulation of funds not ear-marked for investment that may at any time be diverted into consumption and other channels. In view of the differences between the various forms of saving, it is important to consider not only the volume but also the components of saving and the significant shifts among them in order to determine the effects of saving on the economy during the war as well as in the post-war period.

As previously noted in these releases, a substantial proportion of the increase in individuals' saving is attributable to unincorporated businesses such as tradesmen, farmers, professionals, etc. With respect to demand depositits (a form of saving in which unincorporated business might be expected to hold a relatively larger share than in other forms) there is some reason to believe that unincorporated businesses accounted for as much of such saving in the past year as other individuals. (It should be noted that part of the increase in cash and deposits of unincorporated business reflects liquidation of inventories and receivables of unincorporated trade [net of retirement of notes and accounts payable]. Although the amount of this increase is not known, it is believed to have been not more than $1,000,000,000 since the beginning of 1942).

The atached table presents in detail the estimates on which the above analysis is based.

GROSS SAVINGS BY INDIVIDUALS IN THE UNITED STATES*

1940-1943. (Billions of dollars)

	1940	1941	1942	1943 Jan.-March	1943 April-June	1943 July-Sept.
Gross saving	15.8	25.0	38.7	10.8	11.4	11.9
†Liquid saving	4.0	10.6	29.5	9.0	9.2	9.9
Gross saving by type—						
1. Currency and bank deposits	+ 3.0	+ 5.0	+ 11.5	+ 3.8	+ 3.0	+ 2.7
2. Savings and loan associations	+ .2	+ .4	+ .3	+ .1	+ .2	+ .1
3. Insurance and pension reserves:						
a. Private insurance	+ 1.7	+ 2.1	+ 2.4	+ .8	+ .8	+ .7
b. Government insurance	+ 1.2	+ 1.8	+ 2.4	+ .8	+ 1.1	+ 1.0
c. Total	+ 2.9	+ 3.8	+ 4.9	+ 1.7	+ 1.8	+ 1.7
4. §Securities:						
a. U. S. savings bonds	+ .9	+ 2.8	+ 8.0	+ 2.6	+ 3.0	+ 3.4
b. Other U. S. government	— .4	+ .8	+ 1.9	0	+ 1.2	+ 2.1
c. State and local governments	— .1	— .2	— .1	0	0	+ .1
d. Corporate and other	— .5	— .5	+ .3	0	— .2	— .3
e. Total	— .1	+ 2.9	+ 10.1	+ 2.6	+ 4.0	+ 5.2
5. Non-farm dwellings:						
a. ¶Purchase	+ 2.5	+ 3.0	+ 1.6	+ .2	+ .2	+ .3
b. Change in debt	+ .9	+ .9	+ .1	— .2	0	0
c. Saving (a. minus b.)	+ 1.7	+ 2.1	+ 1.5	+ .4	+ .3	+ .2
6. **Automobiles and other durable consumers' goods	+ 9.3	+ 11.4	+ 7.6	+ 1.6	+ 1.9	+ 1.8
7. ††Liquidation of debt, not elsewhere classified	— 1.1	— .6	+ 2.8	+ .7	+ .2	+ .2

*Includes unincorporated business saving of the types specified. Does not include corporate or government saving.

†Gross saving excluding purchases of homes as well as of automobiles and other durable consumers' goods.

§Does not include net purchases by brokers and dealers or by other individuals financed by bank loans. In the third quarter of 1943 it is estimated that such purchases of U. S. Government securities amounted to approximately $1,000,000,000 for brokers and dealers and $300,000,000 for other individuals.

¶New construction of one- to four-family nonfarm homes less net acquisition of properties by non-individuals.

**Purchases. Based on Department of Commerce data on commodity flow currently being revised. The figures shown above include all new passenger cars sold in the United States.

††Largely attributable to purchases of automobiles and other durable consumers' goods, although including some debt arising from purchases of consumption goods. The other segments of individuals' debt have been allocated to the assets to which they pertain, viz., saving in savings and loan associations, insurance, securities and homes. Changes in the commercial indebtedness of unincorporated business and in consumers' indebtedness to unincorporated business are not included in these figures. The reduction in consumers' indebtedness to unincorporated business is estimated at abount $50,000,000 in the third quarter of 1943.

Note—The foregoing data have been compiled by the Commission from many different sources. Because of the nature of the figures, current data are necessarily estimates and, therefore, are subject to revision. Figures are rounded and will not necessarily add to totals.

In addition to the estimates of saving by individuals the Commission again made public estimates of corporate saving, excluding banks and insurance companies, in the form of increases in cash and deposits, Government securities and inventories, and the offsetting increases in Federal income tax liabilities for the third quarter of 1943 and prior periods. (These estimates are based on Securities and Exchange Commission, Treasury Department, and Department of Commerce data).

	Change 1940	Change 1941	Change 1942	Change 1943 Jan.-March	Change 1943 April-June	Change 1943 July-Sept.	Level as of 9-30-43
			(Billions of dollars)				
Currency and bank deposits	+2.2	+ .7	+3.3	*+3.0	+ .5	+ .7	†19.9
U. S. Government securities	— .3	+2.0	+6.3	+ .5	+2.6	‡+3.7	‡16.9
Inventories	+1.8	+5.6	+1.6	— .5	— .4	+ .6	26.7
Federal income tax liabilities	+1.3	+4.4	+4.7	+ .1	+ .7	+ .7	13.3

*Somewhat less than $500,000,000 of this amount represented Victory taxes withheld by corporations (other than banks and insurance companies) but not paid to the Treasury Department until the next quarter.

†Somewhat over $500,000,000 of this amount represented withholding taxes not paid to the Treasury Department until next quarter.

‡Does not include purchases financed by bank loans, estimated at somewhat over $200,000,000.

This table shows that while during the third quarter there was a decrease of $700,000,000 in the cash and deposits of non-financial corporations, holdings of U. S. Government securities increased by $3,700,000,000, the highest increase on record. The net increase in cash, deposits and U. S. Government securities combined, amounting to $3,000,000,000, was at about the same rate as in the first and second quarters of the year. Inventories increased $600,000,000 in contrast to a decrease of approximately $500,000,000 in each of the prior quarters of the year. The increase of $700,000,000 in Federal income tax liabilities was about the same as in the second quarter.

In subsequent releases it is planned to present estimates of corporate saving in considerably more detail. The addition of these other forms of saving will, of course, give a much more adequate picture of the financial condition of corporations and their liquid position. In this way the volume and more significant components of the saving of all important segments of the national economy will be available.

Steel Wage Increases May Force Rise In Prices, Says B. F. Fairless, Pres. Of Steel Corp.

In commenting on the announcement of the United Steelworkers of America that the Union is giving notice to reopen existing labor contracts with various steel producing companies, Benjamin F. Fairless, President of the United States Steel Corp., on Dec. 5 said:

"We believe in holding the line against inflation and have practiced that sound Governmental policy to date. We shall continue to do so as long as this is possible. But if the line is to be breached by the Union, the Steel Corporation is certainly entitled to adequate protection against the financial consequences to it of that breach.

"If our employment costs are to be further increased as a result of wage and other demands by the United Steelworkers of America and by the United Mine Workers, we have no recourse other than to seek a compensating increase in steel prices.

"One of the many demands of the Steel Workers Union is reported to be an increase in wages of 17 cents an hour for most employees. This would increase our basic common labor rate in the Pittsburgh district from 78 cents an hour to 95 cents an hour, an advance of approximately 22%. The justification is alleged to be increases in the cost of living.

"Since the commencement of the present national emergency, the increase in labor rates within the Steel Corporation has kept full pace with the advance in the cost of living index. On Jan. 1, 1941, our basic common labor rate in the Pittsburgh district was 62½ cents an hour; this was increased to 72½ cents an hour in April 1, 1941 (when there had been little or no recent increase in the cost of living), and was further increased to 78 cents an hour on Feb. 16, 1942. Such hourly common labor rate is today nearly 25% in excess of what it was on Jan. 1, 1941. The U. S. Department of Labor reports an advance in its cost of living index of approximately 25% between Jan. 1, 1941, and the present time.

"Increases which have been made in our hourly common labor rate, although in full accord with the reported advance in the cost of living index, tell only a small part of the real wage story. The important consideration is what does the average steel worker actually receive per hour, and how much does he take home at the end of each week. Most of our employees receive wages on the basis of rates far in excess of the common labor rate.

"The average hourly earnings of all wage earners in our steel producing and fabricating subsidiaries, both North and South, has risen from $0.853 an hour in January 1941 to $1.159 an hour in October 1943, an increase of 35.9%. During October 1943 the average weekly earnings of all such wage earners, embracing about 185,000 employees, was $50.42 per week, as compared with $33.01 per week during January 1941. This is an increase in wages of 52.7% per week, or more than double the reported advance in the cost of living index during this same period. Part of this increase is occasioned by time and a half pay for overtime.

"What has happened to our steel prices between Jan. 1, 1941, and the present time? Practically nothing. Prices for major steel products today are the same as the published prices of 1939. A ceiling on steel prices at such level was established by OPA in April 1941. While our prices for steel products in general have not advanced, our costs have gone up most substantially since Jan. 1, 1941. Increased labor rates alone have added about $135,000,000 a year to our total employment costs throughout the Steel Corporation. Building up our manufacturing operations to full capacity, with resulting economies from such greater production, has been a major factor in enabling us to date to absorb these additional costs and leave a small balance for our stockholders. The end of that road has been reached, however. We cannot repeat this operation, as we are now operating at full capacity. Furthermore, as the end of the war grows nearer, there may be some recession in our operating rate.

"If wage earners are granted pay increases, adjustments upward on a similar scale must be made to our salaried employees in the lower salary groups. Corresponding wage and salary increases will inevitably follow in our other subsidiary companies not engaged in the manufacture and fabrication of steel. It is estimated that a wage increase of 17 cents an hour, after including all the adjustments and increased Social Security and pension costs which must ensue therefrom, will add approximately $141,000,000 a year to the total employment costs of the Steel Corporation. This estimate takes into consideration only one of the many reported demands of the United Steelworkers Union."

Steel Workers Ask 17-Cent Increase

Philip Murray, President of the Congress of Industrial Organizations and of the United Steel Workers of America, on Dec. 1 announced that formal requests to reopen contracts with the 485 steel companies will be mailed this week asking collective bargaining conferences to start Dec. 13, according to an associated Press dispatch from Pittsburgh, which added in substance as follows:

The union's wage and policy committee adopted a proposal to scrap the "Little Steel" formula by demanding a wage increase of 17 cents an hour over the present 78-cent hiring rate, a guaranteed weekly wage and other changes.

Approximately 500,000 basic steel workers are affected.

Canadian Business Continues At High Level

The Bank of Montreal, in its current "Business Summary," dated Nov. 23, reports a sustained high level of business activity. The bank's summary reports the following:

"The latest review of the Dominion Bureau of Statistics, which covers economic conditions for the first three quarters of the year, asserts that, despite recessionist tendencies in certain lines in recent months, the level of productive activity in Canada during 1943 has been higher than ever before in her history. Compared with the same period of 1942, the official index of the physical volume of business rose from 199 to 233.3, a gain of more than 17%. The wholesale price index at 99.2 was up 4% or more, while industrial production reached nearly 270, an advance of 21%. Mineral production showed an index gain of 26% and manufacturing production almost 23%, the index being just under 290. Electric power consumption was up roughly 10%.

"Latest available employment figures reveal some slackening in the upward pace. There was a further rise in industrial employment with the coming of September, but it was considerably under the gain recorded in any recent year at the same date. The more limited expansion is attributed in part to a manpower scarcity and in part to production changes in some war industries. Notwithstanding these factors the reporting establishments (13,934) gave a total of 1,870,836 men and women employed, which compares with 1,868,542 on Aug. 1. Important results are expected in the field of labour relations following discussions between the Dominion and the provinces."

Federal Reserve October Business Indexes

The Board of Governors of the Federal Reserve System issued on Nov. 25 its monthly indexes of industrial production, factory employment and payrolls, etc. At the same time, the Board made available its customary summary of business conditions. The indexes for October, together with comparisons for a month and a year ago, are as follows:

BUSINESS INDEXES

1935-39 average = 100 for industrial production and freight-car loadings;
1939=100 for factory employment and payrolls;
1923-25 average = 100 for all other series

	Adjusted for —Seasonal Variation—			Without —Seasonal Adjustment—		
	Oct. 1943	Sept. 1943	Oct. 1942	Oct. 1943	Sept. 1943	Oct. 1942
Industrial production—						
Total	*245	244	215	*248	248	218
Manufactures—						
Total	*265	263	230	*267	267	233
Durable	*372	269	311	*373	370	312
Nondurable	*179	178	165	*182	184	168
Minerals	*135	138	129	*138	143	134
Construction contracts, value—						
Total	*51	65	185	*48	65	175
Residential	*36	35	83	*35	35	80
All other	*63	89	269	*60	90	253
Factory employment—						
Total	*170.1	†168.4	†159.6	*170.5	170.2	160.7
Durable goods	*232.1	†230.3	†206.5	*232.3	230.7	206.7
Nondurable goods	*121.2	†119.6	†122.6	*121.8	122.6	124.5
Factory payrolls—						
Total	--	--	--	‡	328.3	270.9
Durable goods	--	--	--	‡	461.3	366.2
Nondurable goods	--	--	--	‡	198.3	177.7
Freight-car loadings	137	140	140	147	151	150
Department store sales, value	*145	132	128	*155	143	137
Department store stocks, value	‡	110	115	‡	114	128

*Preliminary or estimated. †Revised. ‡Data not yet available.

Note—Production, carloadings, and department store sales indexes based on daily averages. To convert durable manufactures, non-durable manufactures and minerals indexes to points in total index, shown in Federal Reserve Chart Book, multiply durable by .379, non-durable by .469, and minerals by .152.

Construction contract indexes based on three-month moving averages, centered at second month, of F. W. Dodge data for 37 Eastern States. To convert indexes to value figures, shown in the Federal Reserve Chart Book, multiply total by $410,269,000, residential by $184,137,000, and all other by $226,132,000.

Employment index, without seasonal adjustment, and payrolls index compiled by Bureau of Labor Statistics. Seasonally adjusted employment index revised beginning January, 1941.

INDUSTRIAL PRODUCTION

(1935-39 average = 100)

	Adjusted for —Seasonal Variation—			Without —Seasonal Adjustment—		
	Oct. 1943	Sept. 1943	Oct. 1942	Oct. 1943	Sept. 1943	Oct. 1942
Manufactures—						
Iron and steel	214	213	207	214	213	207
Pig iron	202	205	199	202	205	199
Steel	241	239	229	241	239	229
Open hearth	190	189	186	190	189	186
Electric	607	593	536	607	593	536
Machinery	*454	448	380	*454	448	380
Transportation equipment	*774	767	567	*774	767	567
Non-ferrous metals & products	‡	284	230	‡	284	230
Lumber and products	*127	129	133	*132	136	140
Lumber	*115	118	127	*123	129	137
Furniture	*150	149	145	*150	149	145
Stone, clay, & glass products	*172	174	176	*165	168	167
Plate glass	47	53	33	47	53	33
Cement	‡	112	174	‡	130	202
Clay products	*120	125	143	*127	129	151
Gypsum and plaster products	*187	194	186	*191	198	190
Abrasive and asbestos products	*326	321	258	*326	321	258
Textiles and products	*151	150	159	*151	150	159
Cotton consumption	156	156	172	156	156	172
Rayon deliveries	*185	181	174	*185	181	174
Wool textiles	‡	151	160	‡	151	160
Leather products	*110	110	119	*110	109	120
Tanning	‡	105	126	‡	140	127
Cattle hide leathers	‡	107	143	‡	105	145
Calf and kip leathers	‡	81	94	‡	80	96
Goat and kid leathers	‡	88	81	‡	89	81
Sheep and lamb leathers	‡	164	147	‡	161	147
Shoes	*113	113	115	*113	113	115
Manufactured food products	*146	145	137	*156	167	147
Wheat flour	*117	111	111	*124	121	118
Meat packing	*184	182	145	*184	163	146
Other manufactured foods	*143	142	138	*160	174	154
Processed fruits and vegetables	*123	120	123	*158	259	157
Tobacco products	139	134	140	144	141	149
Cigars	100	101	121	100	101	140
Cigarettes	173	165	163	179	176	169
Other tobacco products	93	87	97	99	93	104
Paper and products	‡	143	138	‡	143	138
Paperboard	148	155	136	148	155	136
Newsprint production	83	88	107	83	88	107
Printing and publishing	*110	111	117	*113	112	120
Newsprint consumption	96	97	104	101	98	109
Petroleum and coal products	*205	201	154	*205	201	154
Petroleum refining	*211	205	153	*211	205	153
Gasoline	*122	122	111	*122	122	111
Fuel oil	‡	156	137	‡	156	137
Lubricating oil	‡	123	113	‡	123	113
Kerosene	‡	115	112	‡	114	112
Coke	*169	171	166	*169	171	166
Byproduct	*158	161	155	*158	161	155
Beehive	*556	535	527	*556	535	527
Chemicals	*394	395	314	*397	395	317
Rayon	*223	221	190	*223	221	190
Industrial chemicals	*390	383	304	*390	383	304
Rubber	*235	231	191	*235	231	191
Minerals—						
Fuels	*136	140	127	*136	140	127
Bituminous coal	*144	155	145	*144	155	145
Anthracite	*127	129	117	*127	129	117
Crude petroleum	*134	136	121	*134	136	121
Metals	*125	125	140	*149	161	176
Iron ore	*223	223	223	*307	351	335

*Preliminary or estimated. ‡Data not yet available.

FREIGHT-CAR LOADINGS

(1935-39 average = 100)

Coal	140	152	138	140	152	138
Coke	195	195	184	191	193	180
Grain	167	137	139	167	153	139
Livestock	119	114	110	183	151	169
Forest products	137	139	149	144	150	158
Ore	196	209	190	274	314	260
Miscellaneous	140	143	150	153	154	163
Merchandise, l.c.l.	64	63	56	66	66	58

Note—To convert coal and miscellaneous indexes to points in total index, shown in the Federal Reserve Chart Book, multiply coal by .213 and miscellaneous by .548.

Cotton Ginned from Crop of 1943 Prior to Nov. 14

The census report issued on Nov. 22, compiled from the individual returns of the ginners is shown below:

Number of bales of cotton ginned from the growth of 1943 prior to Nov. 14, 1943, and comparative statistics to the corresponding date in 1942 and 1941.

RUNNING BALES

(Counting round as half bales and excluding linters)

State—	1943	1942	1941
United States	*9,930,593	*10,676,552	*8,808,276
Alabama	899,099	860,504	754,875
Arizona	52,577	58,591	89,722
Arkansas	972,405	1,246,841	1,252,824
California	153,672	134,317	169,818
Florida	13,947	14,403	14,394
Georgia	800,314	815,189	609,415
Illinois	1,623	3,338	4,932
Kentucky	9,394	13,027	15,382
Louisiana	672,248	563,288	304,822
Mississippi	1,657,815	1,804,290	1,345,325
Missouri	245,872	349,865	427,849
New Mexico	68,162	62,127	46,585
North Carolina	553,038	602,212	528,115
Oklahoma	310,044	536,346	459,742
South Carolina	654,957	658,657	384,023
Tennessee	429,054	521,359	537,377
Texas	2,419,392	2,413,018	1,842,343
Virginia	16,980	19,180	20,733

*Includes 107,053 bales of the crop of 1943 ginned prior to Aug. 1 which was counted in the supply for the season for 1942-43, compared with 48,626 and 1,969 bales of the crops of 1942 and 1941.

The statistics in this report include no round bales for 1943; none for 1942 and 783 for 1941. Included in the above are 32,428 bales of American-Egyptian for 1943, 27,678 for 1942 and 27,188 for 1941; also 193 bales Sea-Island for 1943; 614 for 1942 and 2,741 for 1941.

The statistics for 1943 in this report are subject to revision when checked against the individual returns of the ginners being transmitted by mail. The revised total of cotton ginned this season prior to Nov. 1 is 9,064,841 bales.

Consumption and Stocks — United States

Cotton consumed during the month of October, 1943, amounted to 846,209 bales. Cotton on hand in consuming establishments Oct. 31, was 2,203,829 bales, and in public storages and at compresses 12,264,332 bales. The number of active consuming cotton spindles for the month was 22,599,426.

In the interest of national defense, the Department of Commerce has discontinued until further notice the publication of statistics concerning imports and exports.

World Statistics

Because of war conditions and the difficulties in obtaining dependable world statistics such data are being omitted from this report for the time being.

Steel Operations Slightly Lower—Trends Diversified—Revisions Disrupt Schedules

"Diversified trends are more apparent than ever this week in the metals and metal-working industries," says "The Iron Age" in its issue of today (Dec. 9), further adding: "Some of the slack created by military cutbacks has been taken up but in general the relationship between supply and demand in steel, aluminum, magnesium and copper continues easier than at any time since Pearl Harbor.

New layoffs at some war goods factories have come to light, yet Government officials insist the manpower shortage still is tightening. Contract cutbacks involving as much as three billion dollars for the War Department alone are visualized by certain Washington authorities as likely to materialize in the next few months, prompting labor leaders to map a concerted drive to return to the 40-hour week as cancellations take place.

"In steel it appears that the excess of ingots has undergone no appreciable diminishment. One other trend of a different nature in the industry is the probability that steelmakers will be unalterably opposed to union demands for higher wages and other concessions, which will put the demands speedily before the War Labor Board. The opinion expressed by B. F. Fairless of U. S. Steel Corp., that higher employment costs must be matched by higher steel prices, is held universally through the industry.

"Aside from a demand for a 17 cents an hour increase for all wage earners in the steel industry, the union, with an eyc toward post-war conditions, proposes among other things a separation wage payment for closed plants, a weekly wage guarantee for the life of the new contract, the elimination of geographical wage differentials, and so on. The union demands would shatter the 'Little Steel' formula. The various provisions in total would cause the steel industry to make an additional annual outlay of approximately $260 million to $280 million. The United States Treasury Department would absorb roughly 75% of such a wage cost, since wage payments are made before taxes.

"Inventory reductions by some steel consumers constitute a factor of importance currently. On the other hand, an increase has been noted by steel sellers in 'forward orders' for civilian items, which steel companies are allowed to accept, but which may not be put on order books or rolling schedules until allotment numbers and approval are granted by WPB. Incidentally, the demand for steel for civilian output is helping WPB's redistribution program since under certain conditions excess steel may be obtained through an appeals procedure.

"All indications point to continued tightness for weeks ahead in flat rolled steel, which is heavily in demand for shipbuilding The invasion craft program is being pushed urgently with special priority assistance in an attempt to speed delivery schedules for next spring and summer by about two months."

The American Iron and Steel Institute on Dec. 6 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 99.3% of capacity for the week beginning Dec. 6, compared with 99.5% one week ago, 98.2% one month ago and 98.6% one year ago. The operating rate for the week beginning Dec. 6 is equivalent to 1,730,700 tons of steel ingots and castings, compared to 1,734,200 tons one week ago, 1,711,600 tons one month ago, and 1,686,700 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Dec. 6 stated in part as follows:

"Revisions of war requirements, with consequent cutbacks and cancellations in some products, have brought a period of uncertainty in the steel market.

"Coming at a time when rumors are flying thick as to possible radical change in the European situation, a psychological factor enters and steel consumers are wary of holding more inventory than necessary and instead of buying ahead are utilizing their supplies for current production. Of the major steel products only plates have not eased during the past few weeks. There have been no cutbacks in shipbuilding, but some revisions have been made, notably an increase in landing barges, partially at the expense of patrol craft. Destroyer escort building is being pushed and general shipbuilding is maintained at its highest point. Plate producers generally are booked ahead solidly until May, apart from directive tonnage.

"An indication of the easier situation is found in the attitude of the War Production Board toward civilian production. Information from that source is to the effect that plates and sheets should be available for those purposes in about four months.

A break in the general decline of demand is noted in steel bars, on which delivery had eased markedly in recent weeks. During the past week bar buying has been resumed after the lull and bookings have been heavier than cancellations, in the experience of some producers. This lends color to the idea that the easier steel market is simply a manifestation of the readjustment in war requirements and not an indication that production is to be lowered. WPB insists that needs are greater than ever and that the war production job for 1944 is at least 20% bigger than that done in 1943.

"The sheet market is confused and cancellations have opened many gaps in mill schedules in first quarter for WPB to fill. Some producers find second quarter schedules considerably relieved, despite directives for January and February pushing tonnage forward into that period.

"Apprehension over possible scrap shortage limiting steel production has eased in the face of increased pig iron supply and while steelmakers have not accumulated reserves for winter to the usual extent many are limiting purchases in an endeavor to avoid heavy inventory in case of a sudden slackening."

Gov. Baldwin Says Local Governments Can Cure Bureaucracy

Governor Raymond E. Baldwin, of Connecticut speaking before the 35th annual session of the National Inter-fraternity conference at the Hotel Commodore, in New York City, on Nov. 26, warned that "we have been voting away our representative government" and declared that bureaucracy can be cured if local governments assume their full responsibility to the people. The New York Journal American of Nov. 26, also gave the following remarks of Governor Baldwin:

"Americans do not yet fully appreciate that if the centralization of government continues and we become more and more a people directed and controlled by bureaus, boards and commissions in a national capital, we will ultimately lose our representative democracy and with it our liberty and freedom."

He sugested that a remedy for bureaucracy was for State and local governments to recover broad taxing powers they have delegated through the years to the Federal Government.

Living Costs In Large Cities Advanced 0.4% Between Sept. 15–Oct. 15, Labor Dept. Reports

Retail prices as measured by the Bureau of Labor Statistics' cost of living index for large cities rose 0.4% from mid-September to mid-October, due largely to increases in the price of eggs, clothing, and miscellaneous goods and services, Secretary of Labor Perkins reported on Nov. 23. "An increase of 0.6% in food prices over the month was due largely to a 7% seasonal rise for eggs," she said. "Current OPA regulations provide for lower egg prices from Nov. 8, on, with continuing decreases until early in March," said Miss Perkins, who reported that "in the aggregate the cost of all other foods was unchanged between Sept. 14 and Oct. 19. There were further advances in prices for some housefurnishings. In New York and Seattle, there were adjustments to higher ceiling prices for coal."

Secretary Perkins further stated:

"This increase brings the rise in retail prices in the two months between Aug. 15 and Oct. 15 to 0.8%, as compared with a drop of 1.4% from the middle of May to the middle of August. On Oct. 15, the index of living costs stood at 124.4 as compared with 100 in the average for the years, 1935-39, 0.6% below the level of May 15, 1943, before prices of butter and meat were lowered by the subsidy. The index is now 5.6% higher than September of last year, 7.2% higher than in May, 1942, and 23.4% above the level of January, 1941, the base date of the Little Steel formula.

"There was a considerable variation in the changes in different cities over the month. Total living costs in Birmingham declined 0.2% and in San Francisco rose 1%. The range of changes in food costs was from a decrease of 2.6% in Memphis to an increase of 1.8% in San Francisco, while total clothing costs were unchanged in Detroit and Philadelphia and rose 1.2% in San Francisco. The index for miscellaneous goods and services showed no change in four cities and advanced 1.3% in Kansas City.

"Meats and fish rose ½ of 1% as fresh and frozen fish prices increased over 4%, and beef edged up slightly. Increased marketing of hogs brought prices of all the pork cuts included in the index down slightly, except salt pork. A fractional decline was reported for roasting chickens.

"Prices of potatoes rose in 21 of the 56 cities, resulting in a small increase in the over-all average and reversing the usual seasonal trend. Prices of cabbage, onions, spinach, and sweet potatoes followed the usual patterns, with decreases ranging from 6.1% for cabbage to 19.2% for spinach. Carrots rose more than usual at this time of year (6.7%), while fresh apples declined by 0.9%. The supply of oranges in retail markets was smaller in October than in September, but the average price remained unchanged over the month.

"Higher retail prices for ready-to-wear articles allowed under the 'cost plus margin' regulations are reflected in higher clothing costs for October. Almost all the types of clothing which are priced for the index were higher.

"Costs of miscellaneous goods and services rose 0.5% from Sept. 15 to Oct. 15. Increases were reported in medical services, such as charges for hospital care, obstetrical services, and prescriptions for medicine. Laundry prices and motion picture admissions continued to advance."

COST OF LIVING IN LARGE CITIES

Indexes, 1935-39=100*

Date—	All items	Food	Clothing	Rent	Fuel electricity and ice	House-fur-nishings	Miscel-laneous
1939: Aug. 15	98.6	93.5	100.3	104.3	97.5	100.6	100.4
1941: Jan. 15	100.8	97.8	100.7	105.0	100.8	100.1	101.9
1942: May 15	116.0	121.6	126.2	109.9	104.9	122.2	110.9
Sep. 15	117.8	126.6	125.8	108.0	106.2	123.6	111.4
Oct 15	119.0	129.6	125.9	108.0	106.2	123.6	111.8
1943: Sep. 15	123.9	137.4	132.5	108.0	107.7	126.3	117.0
Oct. 15	124.4	138.2	133.0	†	107.9	126.5	117.6

PERCENT OF CHANGE

Date—	All items	Food	Clothing	‡Rent	Fuel, elec-tricity and ice	House-fur-nish-ings	Miscel-laneous
Sep. 15, 1943 to Oct. 15, 1943	+ 0.4	+ 0.6	+ 0.4	†	+ 0.2	+ 0.2	+ 0.5
Oct. 15, 1942 to Oct. 15, 1943	+ 4.5	+ 6.6	+ 5.6	0	+ 1.6	+ 2.3	+ 5.2
Sep. 15, 1942 to Oct. 15, 1943	+ 5.6	+ 9.2	+ 5.7	0	+ 1.6	+ 2.3	+ 5.6
May 15, 1942 to Oct. 15, 1943	+ 7.2	+13.7	+ 5.4	—1.7	+ 2.9	+ 3.5	+ 6.0
Jan. 15, 1941 to Oct. 15, 1943	+23.4	+41.3	+32.1	+2.9	+ 7.0	+26.4	+15.4
Aug. 15, 1939 to Oct. 15, 1943	+26.2	+47.8	+32.6	+3.5	+10.7	+25.7	+17.1

*These indexes are based on changes in the cost of goods purchased by wage earners and lower-salaried workers in large cities.

†Rents surveyed at quarterly dates: March 15, June 15, Sept. 15, Dec. 15.

‡Changes through Sept. 15, 1943.

November Civil Engineering Construction Up Private Work Tops Last Month & 1942 Month

Civil engineering construction volume in continental United States for November totals $203,632,000. This volume, not including construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 5% higher than in the preceding month, but is 67% lower than the volume reported to "Engineering News-Record," and made public on Dec. 1 for the corresponding month last year. The report added in part:

Private construction reached its highest volume since October, 1941, and tops a month ago by 55%, and is 138% higher than a year ago. Public work declines 11% from October and 77% from November, 1942. Both State and municipal construction and Federal work report lower volumes when compared with a month ago and a year ago, and are responsible for the decrease in public work.

The current month's construction brings the 11-month 1943 volume to $2,885,384,000, an average of $61,391,000 for each of the 47 weeks of the period. On the weekly average basis, 1943 construction is 67% below the $8,932,207,000 reported for the 48-week period in 1942. Private work, $450,099,000, is 15% under a year ago and public construction, $2,435,285,000, is down 70% when adjusted for the difference in the number of weeks. State and municipal work and Federal volume are 61 and 71% lower, respectively, than in the 1942 11-month period.

Civil engineering construction volumes for November, 1942, October, 1943, and November, 1943, are:

	Nov., 1942 (4 weeks)	Oct., 1943 (4 weeks)	Nov., 1943 (4 weeks)
Total U. S. construction	$607,622,000	$193,379,000	$203,632,000
Private construction	30,763,000	47,314,000	73,195,000
Public construction	576,859,000	146,065,000	130,437,000
State and municipal	16,647,000	14,725,000	7,373,000
Federal	560,212,000	131,340,000	123,064,000

November volume in the various classes of construction compared with November, 1942, shows gains in commercial building and large-scale private housing, 24%, and in bridges, 46%. Losses are in streets and roads, 63%; public buildings, 77%; industrial buildings, 59%; water works, 59%; sewerage, 63%; earthwork and drainage, 52%, and unclassified construction, 55%.

New Capital

New capital for construction purposes for November totals $21,854,000, and it is made up of $17,854,000 in State and municipal bond sales and $4,000,000 in corporate security issues.

The November new construction financing brings the 11-month 1943 volume to $3,065,104,000, a total of 69% below the $10,204,255,000 reported for the 48-week 11-month period last year. Of the 1943 new construction financing total, $145,588,000 is in private investment; $165,678,000 is in Federal funds for non-Federal construction, and $2,753,838,000 is in Federal appropriations for war and departmental construction.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corpo-rate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus
Dec. 7	119.62	110.34	118.20	115.63	110.70	98.57	102.96	113.12	115.63
6	119.63	110.34	118.20	115.63	110.70	98.57	103.13	113.12	115.63
4	119.63	110.34	118.20	115.43	110.70	98.57	102.96	113.12	115.63
3	119.63	110.34	118.20	115.43	110.70	98.57	102.96	113.12	115.63
2	119.63	110.34	118.20	115.43	110.52	98.57	102.96	113.12	115.63
1	119.59	110.34	118.40	115.43	110.70	98.57	102.96	113.12	115.63
Nov. 26	119.72	110.52	118.40	115.63	110.88	98.73	102.96	113.31	115.82
19	119.64	110.70	118.80	116.02	111.07	98.73	103.13	113.50	116.02
12	119.91	110.70	118.80	116.22	111.07	98.57	103.30	113.70	116.02
5	119.99	111.07	119.00	116.61	111.25	98.73	103.30	113.70	116.61
Oct. 29	120.27	111.07	119.00	116.61	111.25	99.04	103.30	113.89	116.61
22	120.33	111.07	119.00	116.61	111.44	99.04	103.30	113.89	116.61
15	120.28	111.07	119.20	116.61	111.25	99.04	103.30	113.89	116.61
8	120.57	110.88	119.00	116.41	111.25	98.73	103.13	113.89	116.41
1	120.62	110.88	119.00	116.22	111.07	98.73	103.13	113.89	116.22
Sept. 24	120.55	111.07	119.00	116.41	111.25	98.88	103.30	113.89	116.41
Aug. 27	120.34	111.25	119.20	116.80	111.44	98.88	103.13	112.89	117.20
July 30	120.18	111.44	119.41	117.00	111.62	99.04	103.30	114.08	117.20
Jun 25	120.41	110.70	118.80	116.22	111.07	98.09	102.46	113.70	116.61
May 28	119.82	110.34	118.20	115.82	110.88	97.78	102.30	131.31	115.82
Apr. 30	118.36	109.79	118.00	115.43	110.34	97.00	101.31	113.12	115.63
Mar. 26	116.93	109.60	117.80	115.43	110.52	96.23	100.65	113.12	115.63
Feb 26	117.11	109.24	117.60	115.43	110.15	95.47	100.00	112.93	115.43
Jan. 29	117.04	108.70	117.60	115.04	109.79	94.56	99.04	112.56	115.43
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
High 1942	118.41	107.62	117.20	114.27	108.88	92.64	97.47	112.19	114.66
Low 1942	115.90	106.04	115.43	112.75	107.09	90.63	95.32	109.60	112.75
1 Year ago Dec. 7, 1942	116.78	107.27	116.80	113.89	108.88	91.77	96.54	111.81	114.27
2 Years ago Dec. 6, 1941	119.59	108.16	118.40	115.43	109.60	91.77	97.31	112.19	115.82

MOODY'S BOND YIELD AVERAGES†
(Based on Individual Closing Prices)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corpo-rate	Corporate by Ratings Aaa	Aa	A	Baa	Corporate by Groups R. R.	P. U.	Indus
Dec. 7	1.86	3.15	2.74	2.87	3.13	3.84	3.57	3.00	2.87
6	1.86	3.15	2.74	2.87	3.13	3.84	3.56	3.00	2.87
4	1.86	3.15	2.74	2.88	3.13	3.84	3.57	3.00	2.87
3	1.86	3.15	2.74	2.88	3.13	3.84	3.57	3.00	2.87
2	1.86	3.15	2.74	2.88	3.14	3.84	3.57	3.00	2.87
1	1.87	3.15	2.73	2.88	3.13	3.84	3.57	3.00	2.87
Nov. 26	1.86	3.14	2.73	2.87	3.12	3.83	3.57	2.99	2.86
19	1.87	3.13	2.71	2.85	3.11	3.83	3.56	2.98	2.85
12	1.84	3.13	2.71	2.84	3.11	3.84	3.55	2.97	2.85
5	1.84	3.11	2.70	2.82	3.10	3.83	3.55	2.97	2.82
Oct. 29	1.82	3.11	2.70	2.82	3.10	381	3.56	2.96	2.82
22	1.81	3.11	2.70	2.82	3.09	3.81	3.55	2.96	2.82
15	1.82	3.11	2.69	2.82	3.10	3.81	3.55	2.96	2.82
8	1.80	3.12	2.70	2.83	3.10	3.83	3.56	2.96	2.83
1	1.80	3.12	2.70	2.84	3.11	3.83	3.56	2.96	2.84
Sept. 24	1.80	3.11	2.70	2.83	3.10	3.82	3.55	2.96	2.83
Aug. 27	1.83	3.10	2.69	2.81	3.09	3.82	3.56	2.96	2.79
July 30	1.84	3.09	2.68	2.80	3.08	3.81	3.55	2.95	2.79
Jun 25	1.82	3.13	2.71	2.84	3.11	3.87	3.60	2.97	2.82
May 28	1.88	3.15	2.74	2.86	3.12	3.89	3.61	2.99	2.86
Apr. 30	1.98	3.18	2.75	2.88	3.15	3.94	3.67	3.00	2.87
Mar. 26	2.08	3.19	2.76	2.88	3.14	3.99	3.71	3.00	2.87
Feb 26	2.06	3.21	2.77	2.88	3.16	4.04	3.75	3.01	2.88
Jan. 29	2.06	3.24	2.77	2.90	3.18	4.10	3.81	3.03	2.88
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
High 1942	2.14	3.39	2.88	3.02	3.33	4.37	4.05	3.19	3.02
Low 1942	1.93	3.30	2.79	2.94	3.23	4.23	3.91	3.05	2.92
1 Year ago Dec. 7, 1942	2.09	3.32	2.81	2.96	3.23	4.29	3.97	3.07	2.94
2 Years ago Dec. 6, 1941	1.87	3.27	2.73	2.88	3.19	4.29	3.92	3.05	2.86

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

To Rehear Crummer Case

The Florida Securities Commission has authorized the State's Attorney-General to file petitions for rehearings in the Supreme Court on the two Crummer Company cases on which decisions were handed down by the Court on Oct. 29, ordering the Securities Commission to issue a license to the company as a dealer in municipal securities and quashing a temporary injunction preventing the company from doing business without a license.

A license had been refused to the Crummer Company by the Commission on the grounds that it had violated the State Securities Act by contracting to refinance a City of Inverness debt without being licensed. The Court had ruled that this contract was an "exempt transaction" and that a license was unnecessary.

Newspaper Sues To Halt Applicability Of Wage-Hour Law

The sixth Federal Circuit Court of Appeals at Cincinnati was requested on Nov. 30 to reverse a ruling that the Fair Labor Standards Act (Wage-Hour law) applied to newspapers.

Elisha Hanson, Counsel for the Sun Publishing Co. of Jackson, Tenn., contended that such application would be unreasonable, arbitrary and injurious discrimination in violation of the First and Fifth Amendments to the Constitution.

From Associated Press Cincinnati advices, we also quote:

Calling attention to the action as the first of its kind against the Fair Labor Standards Act, Hanson cited 32 university schools of journalism as recognition of newspaper work as a "profession," and said that newspapers employ professional workers such as reporters, rewrite men, cartoonists and feature-writers, "all performing work essentially professional in nature, irrespective of the salary drawn."

Moreover, he contended, since a newspaper has no control over the outbreak of exceptional news events, "it cannot adhere to rigid time schedules."

Replying for the Government, Miss Bessie Margolin, assistant solicitor for the Wage and Hour Division of the Department of Labor, argued that Mr. Hanson's objections were "meritless" and that the newspaper publishing business is in interstate commerce.

Reporters and working foremen of a newspaper are not employed in a *bona fide* executive capacity, she added.

RFC Gets $88 Million On Loan To British

Jesse Jones, Secretary of Commerce, announced on Dec. 2 through Nov. 30, 1943, the Reconstruction Finance Corporation had received payments aggregating $88,558,935 from the collateral securing the Corporation's loan to the United Kingdom of Great Britain and Northern Ireland. Of this amount, $84,351,507 consists of interest, dividends and other income from the collateral held to secure the loan and $4,207,428 represents the proceeds of the sale by the United Kingdom of a small amount of the collateral.

The announcement further said:

"This loan was authorized in the amount of $425,000,000 in July, 1941, and $390,000,000 has been disbursed. The security for the loan consists of listed and unlisted securities of United States corporations, the capital stock of 41 British-owned United States insurance companies and assignment of the earnings of the United States branches of 41 British insurance companies. Payments are applied first to current interest and balance to reducing the principal of the loan.

"The proceeds of the loan were used by Great Britain to pay for war supplies in this country contracted for prior to the enactment of the Lend-Lease Bills."

Moody's Daily Commodity Index

Tuesday, Nov. 30	244.4
Wednesday, Dec. 1	244.3
Thursday, Dec. 2	244.9
Friday, Dec. 3	244.8
Saturday, Dec. 4	245.0
Monday, Dec. 6	246.6
Tuesday, Dec. 7	246.7
Two weeks ago, Nov. 23	244.7
Month ago, Nov. 6	244.8
Year ago, Dec. 7	233.2
1942 High, Dec. 22	239.9
Low, Jan. 2	220.0
1943 High, April 1	249.8
Low, Jan. 2	240.2

Weekly Coal And Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report, states that the total producion of soft coal in the week ended Nov. 27, 1943—Thanksgiving Week—is estimated at 12,450,000 net tons, a decrease of 250,000 tons from the preceding week. It was, however, an increase of 2,584,000 tons over the corresponding week in 1942. Output for the current year to date was 0.1% below that for the same period last year.

The U. S. Bureau of Mines estimated that the total production of Pennsylvania anthracite for the week ended Nov. 27, 1943 was 1,261,000 tons, an increase of 54,000 tons (4.5%) over the preceding week. When compared with the output in the corresponding week of 1942 there was an increase of 98,000 tons, or 8.4%. The calendar year to date shows a decrease of 0.9% when compared with the same period of 1942.

The Bureau of Mines also reported that the estimated output of by-product coke in the United States for the week ended Nov. 27, 1943 showed an increase of 12,700 tons when compared with the week ended Nov. 20, 1943. The quantity of coke from beehive ovens increased 800 tons during the same period.

ESTIMATED UNITED STATES PRODUCTION OF COAL

(In Net Tons—000 Omitted.)

	Week Ended			January 1 to Date		
Bituminous coal and lignite—	Nov. 27, 1943	Nov. 20, 1943	Nov. 28, 1942	*Nov. 27, 1943	Nov. 28, 1942	Nov. 27, 1937
Total, incl. mine fuel	12,450	12,700	10,866	529,020	528,350	405,145
Daily average	†2,147	2,117	2,173	1,880	1,899	1,458

*Subject to current adjustment. †Average based on 5.8 days. Nov. 25, Thanksgiving Day, weighted as 0.8 of a normal working day.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Cal. Year to Date		
Penn. anthracite—	§Nov. 27, 1943	¶Nov. 20, 1943	Nov. 28, 1942	Nov. 27, 1943	Nov. 28, 1942	Nov. 30, 1929
*Total incl. coll. fuel	1,261,000	1,207,000	1,163,000	54,937,000	55,463,000	66,448,000
†Commercial production	1,211,000	1,159,000	1,116,000	52,739,000	53,244,000	61,664,000
By-product coke—						
United States total	1,247,900	1,235,200	1,211,500	57,525,700	56,562,100	‡
Beehive coke—						
United States total	170,300	169,500	150,000	7,220,000	7,558,200	6,102,100

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Comparable data not available. §Subject to revision. ¶Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

(In Thousands of Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended					Nov.
State	Nov. 20, 1943	Nov. 13, 1943	Nov. 21, 1942	Nov. 22, 1941	Nov. 20, 1937	average ¶1923
Alabama	410	349	367	323	246	409
Alaska	5	5	6	5	2	**
Arkansas and Oklahoma	86	55	94	93	82	100
Colorado	179	145	191	165	178	236
Georgia and North Carolina	1	1	1	1	††	**
Illinois	1,620	1,440	1,350	1,229	1,138	1,571
Indiana	608	470	548	566	395	536
Iowa	50	41	80	78	97	128
Kansas and Missouri	193	199	167	155	168	175
Kentucky—Eastern	960	925	958	603	686	724
Kentucky—Western	308	319	294	227	193	218
Maryland	35	32	30	20	33	35
Michigan	3	2	7	7	14	26
Montana (bituminous and lignite)	134	113	96	93	79	83
New Mexico	37	39	35	30	30	62
North and South Dakota (lignite)	76	73	99	93	72	**35
Ohio	713	628	686	626	492	764
Pennsylvania (bituminous)	2,973	2,410	2,744	1,851	1,815	2,993
Tennessee	142	132	145	152	101	117
Texas (bituminous and lignite)	6	5	7	7	19	29
Utah	146	122	115	100	82	112
Virginia	428	390	386	340	258	217
Washington	26	25	37	43	42	72
*West Virginia—Southern	2,344	2,193	2,196	1,516	1,408	1,271
†West Virginia—Northern	1,002	997	884	527	476	776
Wyoming	214	159	197	156	124	184
‡Other Western States	1	1	1	††	1	**5
Total bituminous and lignite	12,700	11,270	11,721	9,006	8,231	10,878
§Pennsylvania anthracite	1,207	1,084	1,165	907	1,029	1,896
Total all coal	13,907	12,354	12,886	9,913	9,260	12,774

*Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. †Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. ‡Includes Arizona, California, Idaho, Nevada and Oregon. §Data for Pennsylvania anthracite from published records of the Bureau of Mines. ¶Average weekly rate for entire month. **Alaska, Georgia, North Carolina, and South Dakota included with "Other Western States." ††Less than 1,000 tons.

Wholesale Commodity Index Unchanged During Week Ended Nov. 27, Labor Dept. Reports

The U. S. Department of Labor announced on Dec. 2 the Bureau of Labor Statistics' index of commodity prices in primary markets for the last week of November remained unchanged at 102.6% of the 1926 average. Few price changes were reported. Quotations for certain foods were slightly higher while price changes in farm product markets were mixed, with some weakness in the livestock markets.

The all-commodity index was fractionally lower than at this time last month and 2.5% higher than for the corresponding week of last year.

The Department's announcement further explained:

"**Farm Products and Foods**—In the farm products group slightly higher prices for grains were counterbalanced by lower prices for livestock with the result that the group index remained unchanged at last week's level. Quotations for wheat and barley advanced and oats and rye declined. Although prices for livestock in general dropped nearly 1% during the week, the movement was mixed. Calves, cows and hogs declined while steers, sheep and live poultry at Chicago advanced. Higher prices were also reported for eggs in certain eastern markets, for apples, onions, potatoes and wool. Cotton continued to decline.

"Average prices for foods again moved up largely as a result of stronger markets for fruits and vegetables. Quotations for rye flour advanced nearly 5%.

"**Industrial Commodities**—Except in a very few instances prices for industrial commodities continued steady. A decline of 1.3% in the hides and leather products group resulted from a series of reductions in prices for sheepskins extending over the past two months. Turpentine and rosin again moved upward and quotations were also higher for lumber, particularly Appalachian poplar."

The following notation is made:

"During the period of rapid changes caused by price controls, materials allocation, and rationing the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports."

The following table shows index numbers for the principal groups of commodities for the past 3 weeks, for Oct. 30, 1943 and Nov. 28, 1942 and the percentage changes from a week ago, a month ago, and a year ago.

(1926=100)

						Percentage changes to Nov. 27, 1943 from—		
Commodity groups—	11-27 1943	11-20 1943	11-13 1943	10-30 1943	11-28 1942	11-20 1943	10-30 1943	11-28 1942
All commodities	*102.6	*102.6	*102.8	*102.8	100.1	0	—0.2	+ 2.5
Farm products	121.2	121.2	122.1	122.2	110.8	0	—0.8	+ 9.4
Foods	105.8	105.6	105.5	105.0	103.6	+0.2	+0.8	+ 2.1
Hides and leather products	116.9	118.4	118.4	118.4	118.4	—1.3	—1.3	— 1.3
Textile products	97.2	97.2	97.2	97.2	96.6	0	0	+ 0.6
Fuel and lighting materials	81.7	81.6	81.6	81.6	79.7	+0.1	+0.1	+ 2.5
Metals and metal products	*103.8	*103.8	*103.8	*103.8	103.9	0	0	— 0.1
Building materials	113.0	113.0	113.0	112.8	110.2	0	+0.2	+ 2.5
Chemicals and allied products	100.4	100.4	100.4	100.4	99.5	0	0	+ 0.9
Housefurnishing goods	104.2	104.2	104.2	104.2	104.1	0	0	+ 0.1
Miscellaneous commodities	93.0	93.0	93.0	92.9	89.9	0	+0.1	+ 3.4
Raw materials	111.1	111.3	111.7	111.8	103.8	—0.2	—0.6	+ 7.0
Semimanufactured articles	92.9	92.9	92.9	92.8	92.5	0	+0.1	+ 0.4
Manufactured products	*100.3	*100.3	*100.3	*100.3	99.7	0	0	+ 0.6
All commodities other than farm products	*98.6	*98.6	*98.6	*98.6	97.8	0	0	+ 0.8
All commodities other than farm products and foods	*97.5	*97.5	*97.5	*97.5	96.1	0	0	+ 1.5

*Preliminary.

Civil Engineering Construction $52,181,000 For Week—Private Work 114% Above 1942 Week

Civil engineering construction volume in continental United States totals $52,181,000 for the week. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 49% lower than in the corresponding 1942 week, but tops the $36,523,000 reported to "Engineering News-Record" for the holiday-shortened preceding week. The report made public on Dec. 1 continued as follows:

Private construction exceeds its 1942 week's volume by 114%, but public work is 55% lower, due to the 1% decrease in State and municipal construction and the 58% decline in Federal work.

The current week's volume brings 1943 construction to $2,937,565,000, an average of $61,199,000 for each of the 48 weeks of the period. On the weekly average basis, 1943 volume is 67% below the $9,035,350,000 for the 49-week 1942 period. Private construction, $457,886,000, is 14% below a year ago, and public work, $2,479,679,000, is down 70% when adjusted for the difference in the number of weeks.

Civil engineering construction volumes for the 1942 week, last week, and the current week are:

	Dec. 3, 1942 (5 days)	Nov. 25, 1943 (4 days)	Dec. 2, 1943 (5 days)
Total U. S. construction	$103,143,000	$36,523,000	$52,181,000
Private construction	3,638,000	1,294,000	7,787,000
Public construction	99,505,000	35,229,000	44,394,000
State and municipal	3,853,000	1,592,000	3,814,000
Federal	95,652,000	33,637,000	40,580,000

In the classified construction groups, gains over the short preceding week are reported in all classes of work except public buildings. Increases over the 1942 week are in sewerage, bridges, industrial and commercial buildings, and earthwork and drainage. Subtotals for the week in each class of construction are: water works, $540,000; sewerage, $1,018,000; bridges, $1,128,000; industrial buildings, $1,415,000; commercial building and large-scale private housing, $4,983,000; public buildings, $27,730,000; earthwork and drainage, $699,000; streets and roads, $2,799,000, and unclassified construction, $11,869,000.

New capital for construction purposes for the week totals $1,248,000, and is made up enitrely of State and municipal bond sales. The new construction financing volume for the 48 weeks of 1943, $3,066,352,000, is 69% under the $10,207,263,000 reported for the 49-week 1942 period.

Electric Output For Week Ended Dec. 4, 1943, Shows 17.4% Gain Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Dec. 4, 1943, was approximately 4,560,158,000 kwh., compared with 3,883,534,000 kwh. in the corresponding week last year, an increase of 17.4%. The output of the week ended Nov. 27, 1943, was 16.9% in excess of the similar period of 1942.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

	Week Ended			
Major Geographical Divisions—	Dec. 4	Nov. 27	Nov. 20	Nov. 13
New England	8.0	5.3	7.7	8.3
Middle Atlantic	17.3	18.1	20.5	19.0
Central Industrial	12.9	11.5	14.1	15.1
West Central	10.4	7.2	7.9	10.5
Southern States	17.9	18.5	19.9	20.3
Rocky Mountain	14.4	15.9	15.5	14.8
Pacific Coast	35.3	34.6	36.9	33.3
Total United States	17.5	16.9	18.9	18.7

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1943	1942	% Change 1943 over 1942	1941	1932	1929
Sep 4	4,350,511	3,672,921	+ 18.4	3,132,954	1,423,977	1,674,588
Sep 11	4,229,262	3,583,408	+ 18.0	3,222,346	1,476,442	1,806,259
Sep. 18	4,358,512	3,756,922	+ 16.0	3,273,375	1,490,863	1,792,131
Sep. 25	4,359,610	3,720,254	+ 17.2	3,273,376	1,499,459	1,777,854
Oct. 2	4,359,003	3,682,794	+ 18.4	3,330,582	1,506,219	1,819,276
Oct. 9	4,341,754	3,702,299	+ 17.3	3,355,440	1,507,503	1,806,403
Oct. 16	4,382,268	3,717,360	+ 17.9	3,313,596	1,528,145	1,798,633
Oct. 23	4,415,405	3,752,571	+ 17.7	3,340,768	1,533,028	1,824,160
Oct. 30	4,452,592	3,774,891	+ 18.0	3,380,488	1,525,410	1,815,749
Nov. 6	4,413,863	3,761,961	+ 17.3	3,368,690	1,520,730	1,798,164
Nov. 13	4,482,665	3,775,878	+ 18.7	3,347,893	1,531,584	1,793,584
Nov. 20	4,513,299	3,795,361	+ 18.9	3,247,938	1,475,268	1,818,169
Nov. 27	4,403,342	3,766,381	+ 16.9	3,339,364	1,510,337	1,718,002
Dec. 4	4,560,158	3,883,534	+ 17.4	3,414,844	1,518,922	1,806,225

1943 Steel Shipments To Set New Records

New records for shipments of at least six major classes of steel products, as well as a new peak for the total tonnage of steel shipped to consumers, seem destined to be set during 1943, it is indicated by reports from the American Iron and Steel Institute covering shipments in the first ten months of the year.

The Institute's statement further goes on to say:

Total shipments of all classes of steel products over that period of the year were 55,384,000 tons—more than 1,200,000 tons greater than shipments in the corresponding months of 1943.

The products for which new records are in the making include steel plates, hot-rolled and cold-finished bars, both carbon and alloy steel, and also seamless steel pipe and tubing.

In the first ten months of this year, steel plate shipments totaled 10,678,000 tons. At that rate this year's output will exceed the 1942 total by about 10%. Hot-rolled carbon steel bar shipments in the first ten months totaled 5,935,000 tons, which would indicate full-year shipments about 8% above 1942.

Similarly, total shipments of 2,931,000 tons of alloy steel bars through October of this year are at a rate which could bring the year's total about 40% above 1942.

Cold-finished carbon bar shipments in the first ten months of 1943 totaled 1,473,000 tons which would indicate that the year total might exceed the previous peak by about 40%. Shipments of seamless pipe and tubes in the same period amounted to 1,825,000 tons, a rate which would bring this year's total several thousand tons above the previous record.

Two products for which new records for total shipments were established in 1942 are falling short of record levels this year. Current shipments of structural shapes and concrete reinforcing bars, both used principally for construction, are well below a year ago largely because of the virtual completion of the construction phase of the war program.

Shipments of 3,176,000 tons of structural shapes and 418 tons of concrete reinforcing bars in the first ten months of 1943 are, respectively, 24% and 75% below a year ago.

Other products for which 1942 shipments exceeded the current rate are rails, butt weld pipe, barbed wire, tin plate, and cold reduced sheets and strip.

Among the products for which 1943 shipments are ahead of 1942 are electrically welded pipe, lap weld pipe, drawn wire, woven wire fence, hot-rolled sheets and strip and cold-rolled strip.

Lumber Movement—Week Ended November 27, 1943

According to the National Lumber Manufacturers Association, lumber shipments of 471 mills reporting to the National Lumber Trade Barometer were 0.3% above production for the week ended Nov. 27, 1943. In the same week new orders of these mills were 0.9% less than production. Unfilled order files in the reporting mills amounted to 96% of stocks. For reporting softwood mills, unfilled orders are equivalent to 38 days' production at the current rate, and gross stocks are equivalent to 36 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 7.4%; orders by 8.4%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 28.8% greater; shipments were 35.5% greater; and orders were 31.2% greater.

Daily Average Crude Oil Production For Week Ended Nov. 27, 1943 Off Only 750 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Nov. 27, 1943 was 4,413,650 barrels, a decline of only 750 barrels from the preceding week. It was, however, 535,650 barrels per day higher than in the corresponding week of 1942, and exceeded the daily average figure recommended by the Petroleum Administration for War for the month of November, 1943, by 36,950 barrels. Daily output for the four weeks ended Nov. 27, 1943, averaged 4,413,450 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,261,000 barrels of crude oil daily and produced 12,638,000 barrels of gasoline; 1,417,000 barrels of kerosine; 4,379,000 barrels of distillate fuel oil, and 8,633,000 barrels of residual fuel oil during the week ended Nov. 27, 1943; and had in storage at the end of that week 69,980,000 barrels of gasoline; 11,257,000 barrels of kerosine; 46,187,000 barrels of distillate fuel, and 62,143,000 barrels of residual fuel oil. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations November	*State Allowables Begin. Nov. 1	Actual Production Week Ended Nov. 27, 1943	Change from Previous Week	4 Weeks Ended Nov. 27, 1943	Week Ended Nov. 28, 1942
Oklahoma	318,000	325,000	†325,000	— 850	327,650	365,700
Kansas	285,000	274,800	†273,200	— 8,150	271,500	299,100
Nebraska	1,600	----	†1,700	----	1,700	2,950
Panhandle Texas			85,500	----	85,500	89,800
North Texas			141,900	----	141,900	137,600
West Texas			359,750	----	359,750	212,750
East Central Texas			142,950	+ 5,000	139,200	95,800
East Texas			376,400	----	376,400	354,800
Southwest Texas			298,100	----	298,050	176,550
Coastal Texas			524,600	----	524,600	313,400
Total Texas	1,881,000	‡1,905,471	1,929,200	+ 5,000	1,925,400	1,380,700
North Louisiana			78,800	+ 50	78,750	96,550
Coastal Louisiana			272,200	----	272,200	228,700
Total Louisiana	353,700	375,700	351,000	+ 50	350,950	325,250
Arkansas	76,900	77,891	78,450	+ 100	78,350	73,600
Mississippi	49,000		49,650	+ 2,850	50,350	60,950
Illinois	205,000		218,100	+ 2,850	219,300	255,650
Indiana	14,000		13,500	+ 1,000	13,450	16,200
Eastern— (Not incl. Ill., Ind. and Ky.)	78,500		69,850	— 1,250	70,750	75,050
Kentucky	24,500		24,550	+ 1,200	23,750	15,300
Michigan	56,000		53,750	+ 3,650	54,150	58,400
Wyoming	98,000		102,850	+ 2,000	100,800	90,700
Montana	23,000		21,300	— 50	21,300	22,550
Colorado	7,000		7,350	— 100	7,350	7,000
New Mexico	110,500	110,500	112,900	— 50	112,750	95,800
Total East of Calif.	3,581,700		3,633,150	+ 8,250	3,629,500	3,144,900
California	795,000	§795,000	780,500	— 9,000	783,950	733,100
Total United States	4,376,700		4,413,650	— 750	4,413,450	3,878,000

*P.A.W. recommendations and state allowables, as shown above, represent the production of Crude Oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Nov. 25, 1943.

‡This is the net basic allowable as of Nov. 1 calculated on a 30-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 3 to 8 days, the entire state was ordered shut down for 8 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 8 days shut-down time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE. GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED NOV. 27, 1943

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuels	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast, Texas Gulf, Louisiana Gulf, North Louisiana - Arkansas and Inland Texas	2,444	88.7	2,147	87.8	6,063	31,497	23,269	18,463
Appalachian— District No. 1	130	83.9	101	77.1	285	1,570	980	162
District No. 2	47	87.2	48	102.1	139	937	158	146
Ind., Ill., Ky.	824	85.2	762	92.5	2,663	13,625	6,598	2,909
Okla., Kans., Mo.	416	80.1	335	80.5	1,240	6,880	2,465	1,154
Rocky Mountain— District No. 3	8	26.9	9	112.5	35	67	22	36
District No. 4	141	58.3	90	63.8	350	1,198	436	729
California	817	89.9	769	94.1	1,863	14,197	12,259	38,544
Tot. U. S. B. of M. basis Nov. 27, 1943	4,827	86.4	4,261	88.3	12,638	*69,980	46.187	62,143
Tot. U. S. B. of M. basis Nov. 20, 1943	4.827	86.4	4,192	86.9	12,488	68,996	45,772	62,662
U. S. Bur. of Mines basis Nov. 28, 1942			3,740		11,337	74,628	50,195	78,674

*At the request of the Petroleum Administration for War. †Finished, 60,122,000 barrels; unfinished, 9,858,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,417,000 barrels of kerosine, 4,379,000 barrels of gas oil and distillate fuel oil and 8,633,000 barrels of residual fuel oil produced during the week ended Nov. 27, 1943, which compares with 1,380,000 barrels, 4,643,000 barrels and 8,797,000 barrels, respectively, in the preceding week and 1,344,000 barrels, 4,098,000 barrels and 7,306,000 barrels, respectively, in the week ended Nov. 28, 1942.

Notes—Stocks of kerosine at Nov. 27, 1943, amounted to 11,257,000 barrels, as against 11,492,000 barrels a week earlier and 12,632,000 barrels a year before.

District No. 1 inventory indices are: Gasoline, 40.4%; kerosine, 49.0%; gas oil and distillate fuel, 65.1%, and residual fuel oil, 75.4% of normal.

National Fertilizer Association Commodity Price Index Advances Fractionally

The weekly wholesale commodity prices index, compiled by The National Fertilizer Association and made public on Dec. 6, advanced to 135.2 in the week ending Dec. 4 from 135.0 in the preceding week. A month ago this index stood at 135.4 and a year ago at 130.6, based on the 1935-1939 average as 100. The Association's report continued as follows:

The farm products group moved into higher ground with the grains group continuing to advance and wheat prices reaching a new peak since 1925. Lower quotations were noted for good cattle, hogs, lambs, and eggs. However, rising prices for sheep, calves, and poultry were more than sufficient to offset these. All major groups of farm product prices except meat animals were higher last month than in November, 1942. The foods group registered a slight decline with lower prices for eggs and oranges. The textiles group continues to reach a new low since Jan. 2 of this year with further declining prices for cotton. All other group indexes remained unchanged from the previous week.

During the week 6 price series advanced and 8 declined; in the preceding week there were 10 advances and 5 declines; and in the second preceding week there were 11 advances and 5 dclines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Dec. 4, 1943	Preceding Week Nov. 27, 1943	Month Ago Nov. 6, 1943	Year Ago Dec. 5, 1942
25.3	Foods	140.6	140.8	140.0	134.2
	Fats and Oils	145.6	145.6	146.1	148.8
	Cottonseed Oil	159.6	159.6	161.3	164.7
23.0	Farm Products	152.9	152.3	154.5	142.1
	Cotton	185.0	185.4	188.9	184.8
	Grains	162.5	161.0	155.8	120.7
	Livestock	144.8	144.2	148.4	139.9
17.3	Fuels	122.8	122.8	122.8	119.3
10.8	Miscellaneous commodities	131.4	131.4	131.4	128.6
8.2	Textiles	149.6	149.7	150.2	148.7
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	152.4	152.4	152.5	151.3
1.3	Chemicals and drugs	127.7	127.7	127.7	127.6
.3	Fertilizer materials	117.7	117.7	117.7	117.5
.3	Fertilizers	119.8	119.8	119.8	115.3
.3	Farm machinery	104.2	104.2	104.2	104.1
100.0	All groups combined	135.2	135.0	135.4	130.6

*Indexes on 1926-1928 base were: Dec. 4, 1943, 105.3; Nov. 27, 105.2, and Dec. 5, 1942, 101.7.

Non-Ferrous Metals—Zinc Allocations Released—1944 Lead Outlook Encouraging

Editor's Note—At the direction of the Office of Censorship certain production and shipment figures and other data have been omitted for the duration of the war.

"E. & M. J. Metal and Mineral Markets," in its issue of Dec. 2, stated: "Supply and demand prospects for lead for next year were reviewed at an industry meeting held in Washington during the last week. Those familiar with the lead situation believe that consumption of the metal in 1944 will hold to about the same high level as at present, even though some war demands are expected to diminish. Zinc allocation certificates for December were released early in the week as expected. Small tonnages of copper products were made available by WPB for use in essential civilian applications. Quicksilver on spot sold in a small way at unchanged prices, but futures could have been obtained at concessions in a highly unsettled market." The publication further went on to say in part:

Copper

Tonnages of copper released so far for other than war uses have been small, but the industry appears to be grateful for even modest contributions that point to an expansion in civilian consumption of the metal. WPB, on Tuesday, released about 1,500 tons of fabricated copper and copper alloy parts for use in the manufacture of builders' hardware, locks, etc.

During the last week WPB issued regulations making it possible for anyone in the business of making repairs to buy, without authorization each calendar quarter, up to a total of 500 lb. of copper and copper base brass mill and foundry products. This action is covered in an amendment to CMP Regulation 9a.

Brass mill products were produced at a high rate during the third quarter of the current year. The statistics branch of WPB revealed that production for the July-Sept. period totaled 1,362,277,000 lb., of which 425,647,000 lb. were produced in July, 456,808,000 lb. in August, and 479,822,000 lb. in September. Production for the first nine months was as follows:

	Pounds
January	464,520,000
February	440,210,000
March	499,363,000
April	474,727,000
May	484,396,000
June	457,671,000
July	425,647,000
August	456,808,000
September	479,822,000

Lead

The advisory committee of the lead industry met with WPB officials in Washington on Nov. 30 to review production and consumption prospects for 1944. An official report on the discusions was not available, but those in close touch with the situation report that most authorities feel that domestic consumption of lead next year will hold to about the same high level as that of the current year. To support the supply picture, imports will have to be maintained next year at a good rate. Ammunition and war construction are expected to take less lead in 1944, but this should be offset by increased consumption in cable covering, pigments, batteries, and ethyl gasoline.

Sales of common lead for the last week were higher than in the preceding week. There were no price developments.

Zinc

Allocation of zinc for December shipment to consumers occupied the industry during the last week. Though more Prime Western was earmarked for distribution, the total tonnage, which embraces all grades, was somewhat smaller than in recent months, the trade believes. Producers contend that zinc will continue to move into the stockpile until increased tonnages begin to move into civilian channels. Brass is certain to take less zinc next year.

Tin

From present indications, consumption of tin during the first quarter of 1944 will be held down sharply, indicating that the supply situation, though easier than earlier in the current year, does not call for a radical change in the general program. Tinplate operations for the Jan.-March period of 1944 will be restricted to about 45,000 tons. An accumulation in supplies of tin-plate will be drawn upon should output fall short of actual needs. Output of tin-plate during the second-quarter, the industry believes, will be increased appreciably.

The price situation in tin remains unchanged. Grade A or Straits quality tin is moving on the basis of 52c. per pound. Straits quality tin for shipment, in cents per pound, was as follows:

	Dec.	Jan.	Feb.
Nov. 25		HOLIDAY	
Nov. 26	52.000	52.000	52.000
Nov. 27	52.000	52.000	52.000
Nov. 29	52.000	52.000	52.000
Nov. 30	52.000	52.000	52.000
Dec. 1	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c. per pound.

Quicksilver

Unsettled conditions prevail in quicksilver, reflecting uncertainty in reference to prices for next year. Output is expected to decline, but whether necessary adjustments in production schedules can be made without a sharp downward revision in prices is a question that tends to keep buyers from making long-term commitments. Large consumers apparently intend to operate on a hand-to-mouth basis, pending developments. Prompt shipment metal in New York held at $192 to $194 per flask of 76 pounds. Prices on forward material were wholly nominal.

Silver

During the last week the silver market in London has been quiet and unchanged at 23½d.

The New York official for foreign silver and the Treasury's price were unchanged at 44¾c. and 35c., respectively.

Production in silver in Canada during September amounted to 1,162,162 oz., according to a preliminary estimate by the Dominion Bureau of Statistics. This compares with 1,286,973 oz. in August and 1,842,007 oz. in September last year. Production during the first nine months of 1943 was estimated at 13,300,731 oz., against 15,323,855 oz. in the same period of 1942.

Daily Prices

The daily prices of electrolytic copper (domestic and export, refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

Oct. Steel Payrolls Set New Record

Steel industry payrolls again in October established a new record, amounting to a total of $144,937,000 for that month, the American Iron and Steel Institute announced on Dec. 7, adding:

The previous peak was $143,769,000 distributed in payrolls during September which had one less working day. In October a year ago, steel payrolls totaled $126,627,000.

Number of employees in steel plants continued to decline in October, following the trend of the past year. In October, 615,000 employees were on the industry's payrolls, compared with 620,000 in September and 635,000 in October, 1942.

Wage-earning employees earned an average of $1.158 per hour in October, as against $1.16 per hour in September and $1.086 per hour in October of last year. Since January, 1941, the base month for wages under the "Little Steel" formula, average hourly earnings have increased nearly 35%, while average weekly earnings have risen more than 50%.

An average of 44.6 hours per week was worked by wage earners in October, which compares with 45.3 hours per week in September and 39.9 hours per week in October, 1942.

Revenue Freight Car Loadings During Week Ended Nov. 27, 1943 Declined 62,205 Cars

Loading of revenue freight for the week ended Nov. 27, 1943, totaled 820,082 cars, the Association of American Railroads announced on Dec. 2. This was an increase above the corresponding week of 1942 of 76,618 cars, or 10.3%, but a decrease under the same week in 1941 of 46,098 cars or 5.3%.

Loading of revenue freight for the week of Nov. 27, which included Thanksgiving Holiday decreased 62,205 cars, or 7.1% under the preceding week.

Miscellaneous freight loading totaled 368,418 cars, a decrease of 31,627 cars below the preceding week, but an increase of 11,103 cars above the corresponding week in 1942.

Loading of merchandise less than carload lot freight totaled 96,123 cars, a decrease of 10,223 cars below the preceding week, but an increase of 14,334 cars above the corresponding week in 1942.

Coal loading amounted to 181,812 cars, a decrease of 6,461 cars below the preceding week, but an increase of 28,215 cars above the corresponding week in 1942.

Grain and grain products loading totaled 50,889 cars a decrease of 4,166 cars below the preceding week but an increase of 11,796 cars above the corresponding week in 1942. In the Western Districts alone, grain and grain products loading for the week of Nov. 27, totaled 32,772 cars, a decrease of 2,709 cars below the preceding week but an increase of 6,545 cars above the corresponding week in 1942.

Live stock loading amounted to 16,041 cars, a decrease of 6,356 cars below the preceding week, and a decrease of 960 cars below the corresponding week in 1942. In the Western Districts alone loading of live stock for the week of Nov. 27 totaled 12,169 cars, a decrease of 5,447 cars below the preceding week, and a decrease of 1,128 cars below the corresponding week in 1942.

Forest products loading totaled 41,905 cars, a decrease of 3,978 cars below the preceding week but an increase of 5,458 cars above the corresponding week in 1942.

Ore loading amounted to 49,652 cars, an increase of 582 cars above the preceding week and an increase of 5,201 cars above the corresponding week in 1942.

Coke loading amounted to 15,242 cars, an increase of 24 cars above the preceding week, and an increase of 1,471 cars above the corresponding week in 1942.

All districts reported increases compared with the corresponding week in 1942. All reported decreases compared with 1941 except the Pocahontas and Southwestern.

	1943	1942	1941
5 weeks of January	3,530,849	3,858,479	3,454,409
4 weeks of February	3,055,640	3,122,942	2,866,565
4 weeks of March	3,073,426	3,174,781	3,066,011
4 weeks of April	3,136,253	3,350,996	2,793,630
5 weeks of May	4,149,708	4,170,548	4,160,060
4 weeks of June	3,151,146	3,385,655	3,510.057
5 weeks of July	4,307,406	4,185,135	4,295,457
4 weeks of August	3,554,446	3,487,905	3,581,350
4 weeks of September	3,545,823	3,503,383	3,540,210
5 weeks of October	4,518,244	4,511,609	4,553,007
Week of November 6	754,724	829,663	873,582
Week of November 13	847,683	826,695	883,890
Week of November 20	882,287	836,762	799,386
Week of November 27	820,082	743,464	866,180
Total	39,327,717	39,988,017	39,243,794

The following table is a summary of the freight carloading for the separate railroads and systems for the week ended Nov. 27, 1943. During this period 82 roads showed increases when compared with the corresponding week last year.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS)—WEEK ENDED NOV. 27

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1943	1942	1941	1943	1942
Eastern District—					
Ann Arbor	226	256	624	1,543	1,274
Bangor & Aroostook	2,359	1,509	1,686	208	154
Boston & Maine	5,970	4,951	9,857	15,382	13,153
Chicago, Indianapolis & Louisville	1,468	1,225	1,839	2,405	2,034
Central Indiana	31	19	27	44	41
Central Vermont	861	829	1,471	2,821	2,225
Delaware & Hudson	5,614	5,937	5,340	11,620	10,614
Delaware, Lackawanna & Western	7,306	6,733	9,108	10,844	9,087
Detroit & Mackinac	205	385	466	99	132
Detroit, Toledo & Ironton	*2,279	1,403	2,745	*1,354	1,156
Detroit & Toledo Shore Line	276	276	364	2,992	2,895
Erie	12,726	10,551	15,271	19,108	15,716
Grand Trunk Western	3,385	3,792	6,006	8,636	6,958
Lehigh & Hudson River	174	189	207	2,415	2,507
Lehigh & New England	1,691	1,682	1,627	1,565	1,817
Lehigh Valley	8,592	7,264	9,519	13,332	13,191
Maine Central	1,822	1,949	3,097	3,713	2,770
Monongahela	6,013	5,233	5,721	464	353
Montour	2,437	2,217	2,406	24	19
New York Central Lines	49,218	41,303	52,736	58,510	50,210
N. Y., N. H. & Hartford	9,098	7,299	13,150	20,400	16,800
New York, Ontario & Western	1,054	666	991	2,702	2,134
New York, Chicago & St. Louis	6,100	6,272	7,157	16,817	14,315
N. Y., Susquehanna & Western	500	449	591	1,879	1,588
Pittsburgh & Lake Erie	7,531	7,094	8,479	7,800	7,221
Pere Marquette	4,964	5,041	7,535	7,964	6,254
Pittsburg & Shawmut	859	618	739	13	14
Pittsburg, Shawmut & North	342	375	428	329	233
Pittsburgh & West Virginia	1,033	840	828	2,507	2,472
Rutland	252	243	510	1,064	839
Wabash	5,974	4,775	6,165	11,377	12,694
Wheeling & Lake Erie	4,276	4,304	5,267	4,513	4,527
Total	154,636	135,679	181,047	234,464	205,397
Allegheny District—					
Akron, Canton & Youngstown	727	703	676	1,403	1,124
Baltimore & Ohio	42,141	33,984	41,310	30,530	26,650
Bessemer & Lake Erie	5,282	4,747	5,123	1,557	2,187
Buffalo Creek & Gauley	*404	348	295	*3	4
Cambria & Indiana	1,797	1,821	1,937	2	7
Central R. R. of New Jersey	6,855	6,476	7,422	21,344	19,192
Cornwall	577	539	656	65	53
Cumberland & Pennsylvania	213	215	296	11	17
Ligonier Valley	155	140	121	42	47
Long Island	1,166	988	794	3,807	3,475
Penn-Reading Seashore Lines	1,697	1,573	1,971	2,779	1,950
Pennsylvania System	81,243	69,947	83,885	63,821	60,300
Reading Co.	14,525	13,274	15,081	28,618	26,072
Union (Pittsburgh)	20,067	20,578	20,172	7,188	6,230
Western Maryland	4,224	3,425	4,507	12,204	11,755
Total	181,078	158,758	184,246	173,474	159,063
Pocahontas District—					
Chesapeake & Ohio	30,449	25,783	28,799	13,857	11,507
Norfolk & Western	22,798	19,814	24,156	7,091	6,002
Virginian	4,828	4,454	4,633	2,790	2,073
Total	58,075	50,051	57,588	23,738	10,582
Southern District—					
Alabama, Tennessee & Northern	277	293	387	328	270
Atl. & W. P.—W. R. R. of Ala.	700	626	863	2,916	2,600
Atlanta, Birmingham & Coast	713	719	785	1,462	1,553
Atlantic Coast Line	12,672	13,093	11,443	11,750	10,524
Central of Georgia	3,688	3,488	4,668	4,755	4,576
Charleston & Western Carolina	389	390	438	2,002	1,400
Clinchfield	1,738	1,694	1,848	2,811	2,719
Columbus & Greenville	273	412	240	264	482
Durham & Southern	100	90	183	737	412
Florida East Coast	2,550	1,558	859	1,371	1,581
Gainesville Midland	44	36	38	110	97
Georgia	1,201	1,150	1,375	3,407	2,457
Georgia & Florida	360	383	426	706	545
Gulf, Mobile & Ohio	4,254	4,002	4,463	4,493	4,679
Illinois Central System	27,196	25,848	28,962	16,344	15,528
Louisville & Nashville	24,648	22,703	25,673	11,996	11,035
Macon, Dublin & Savannah	209	230	215	897	909
Mississippi Central	300	161	207	471	484
Nashville, Chattanooga & St. L.	3,429	3,235	3,181	4,936	4,355
Norfolk Southern	1,026	1,088	1,135	1,851	1,691
Piedmont Northern	412	314	521	1,225	1,211
Richmond, Fred. & Potomac	366	407	498	11,221	9,998
Seaboard Air Line	10,546	10,024	10,758	9,357	9,408
Southern System	21,651	20,918	24,095	24,908	22,653
Tennessee Central	475	362	513	826	910
Winston-Salem Southbound	115	100	166	913	864
Total	119,332	113,324	123,940	122,057	112,941
Northwestern District—					
Chicago & North Western	15,286	14,952	18,654	13,903	13,321
Chicago Great Western	2,341	2,021	2,609	3,509	3,129
Chicago, Milw., St. P. & Pac.	20,148	16,892	23,496	10,020	9,119
Chicago, St. Paul, Minn. & Omaha	3,271	3,020	4,675	3,283	3,451
Duluth, Missabe & Iron Range	19,343	16,209	19,353	205	222
Duluth, South Shore & Atlantic	507	555	677	484	618
Elgin, Joliet & Eastern	8,922	8,442	10,579	11,637	10,378
Ft. Dodge, Des Moines & South	370	359	479	70	87
Great Northern	17,120	13,847	19,217	4,716	5,029
Green Bay & Western	437	429	633	894	621
Lake Superior & Ishpeming	613	1,707	2,658	56	32
Minneapolis & St. Louis	1,854	1,861	1,947	2,337	2,046
Minn., St. Paul & S. S. M.	5,780	4,622	6,134	2,863	2,718
Northern Pacific	11,014	10,466	12,643	5,441	4,972
Spokane International	*168	158	122	*498	583
Spokane, Portland & Seattle	2,323	1,380	2,740	3,618	2,801
Total	109,497	96,920	126,616	63,534	59,127
Central Western District—					
Atch., Top. & Santa Fe System	21,761	20,649	22,435	12,442	12,408
Alton	*3,508	3,009	3,612	*4,731	4,618
Bingham & Garfield	611	506	639	90	100
Chicago, Burlington & Quincy	19,431	18,145	19,001	13,109	11,351
Chicago & Illinois Midland	3,222	2,513	2,611	852	686
Chicago, Rock Island & Pacific	11,250	10,929	12,351	11,036	11,773
Chicago & Eastern Illinois	2,536	2,131	3,092	6,742	4,001
Colorado & Southern	843	1,404	1,330	2,147	1,947
Denver & Rio Grande Western	4,252	4,409	4,378	6,236	5,094
Denver & Salt Lake	525	683	908	25	7
Fort Worth & Denver City	861	1,128	1,572	1,549	1,234
Illinois Terminal	2,030	1,662	2,015	1,889	1,400
Missouri-Illinois	1,173	1,082	1,094	536	492
Nevada Northern	1,916	2,252	2,020	125	120
North Western Pacific	822	818	1,152	670	567
Peoria & Pekin Union	27	4	27	0	0
Southern Pacific (Pacific)	28,161	25,143	30,543	13,961	12,205
Toledo, Peoria & Western	322	342	413	1,856	1,610
Union Pacific System	17,023	18,034	19,226	18,140	14,932
Utah	641	576	606	10	1
Western Pacific	2,115	2,115	2,890	4,270	2,703
Total	123,030	117,534	131,915	100,416	87,249
Southwestern District—					
Burlington-Rock Island	292	123	128	173	214
Gulf Coast Lines	7,366	5,070	3,858	2,863	2,480
International-Great Northern	2,203	3,212	1,546	4,173	3,164
Kansas, Oklahoma & Gulf	241	348	242	1,415	1,121
Kansas City Southern	5,845	4,310	2,667	2,817	2,635
Louisiana & Arkansas	3,291	3,639	2,702	3,032	2,329
Litchfield & Madison	342	266	424	1,238	1,019
Midland Valley	649	655	633	332	259
Missouri & Arkansas	162	164	162	466	327
Missouri-Kansas-Texas Lines	5,772	6,527	4,498	6,072	4,766
Missouri Pacific	17,317	15,538	17,074	21,098	18,722
Quanah Acme & Pacific	84	106	155	171	245
St. Louis-San Francisco	8,552	8,538	9,901	8,532	8,091
St. Louis Southwestern	3,236	3,151	3,291	7,399	4,968
Texas & New Orleans	13,374	13,687	7,912	5,553	4,609
Texas & Pacific	5,599	5,736	5,458	8,050	7,888
Wichita Falls & Southern	84	107	149	45	33
Weatherford M. W. & N. W.	21	21	28	23	26
Total	74,434	71,198	60,828	73,452	62,896

*Previous week's figure.

Note—Previous year's figures revised.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1943—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
Sept. 4	177,766	150,943	598,255	97	93
Sept. 11	121,125	126,427	589,323	83	93
Sept. 18	153,708	157,082	583,714	98	93
Sept. 25	144,100	151,725	558,633	96	93
Oct. 2	164,954	152,479	579,800	97	93
Oct. 9	156,808	*148,574	589,417	94	93
Oct. 16	156,044	148,293	595,257	95	93
Oct. 23	144,254	147,883	588,399	94	93
Oct. 30	144,413	143,686	587,324	93	93
Nov. 6	172,441	147,467	608,782	93	93
Nov. 13	153,126	149,295	608,893	95	93
Nov. 20	126,726	146,286	587,715	94	93
Nov. 27	134,959	142,136	578,434	91	93

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Dec. 6 a summary for the week ended Nov. 27 of complete figures showing the daily volume of stock transactions for the odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Nov. 27, 1943

	Total for Week
Odd-Lot Sales by Dealers:	
(Customers' purchases)	
Number of orders	13,126
Number of shares	351,367
Dollar value	13,142,989
Odd-Lot Purchases by Dealers—	
(Customers' Sales)	
Number of Orders:	
Customers' short sales	238
*Customers' other sales	11,605
Customers' total sales	11,843
Number of Shares:	
Customers' short sales	6,705
*Customers' other sales	305,435
Customers' total sales	312,140
Dollar value	10,806,364
Round-lot Sales by Dealers—	
Number of Shares:	
Short sales	20
†Other sales	79,440
Total sales	79,460
Round-Lot Purchases by Dealers—	
Number of shares	106,490

*Sales marked "short exempt" are reported with "other sales." †Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Result Of Treasury Bill Offerings

Secretary of the Treasury Morgenthau announced on Nov. 29 that the tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills to be dated Dec. 2, 1943, and to mature March 2, 1944, which were offered on Nov. 26, were opened at the Federal Reserve Banks on Nov. 29.

The details of this issue are as follows:

Total applied for—$1,544,032,000.

Total accepted — $1,006,307,000 (includes $63,543,000 entered on a fixed-price basis at 99.905 and accepted in full).

Average price—99.905. Equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids: (Excepting one tender of $10,000).

High—99.925. Equivalent rate of discount approximately 0.297% per annum.

Low—99.905. Equivalent rate of discount approximately 0.376% per annum.

(61% of the amount bid for at the low price was accepted).

There was a maturity of a similar issue of bills on Dec. 2 in amount of $1,001,840,000.

With respect to the previous week's $1,000,000,000 offering of bills, dated Nov. 26 and maturing Feb. 24, 1944, the Treasury gave the following details on Nov. 22:

Total applied for—$1,621,636,000.

Total accepted — $1,008,704,000 (includes $78,182,000 entered on a fixed-price basis at 99.905 and accepted in full).

Average price—99.906. Equivalent rate of discount approximately 0.376% per annum.

Range of accepted competitive bids:

High—99.910. Equivalent rate of discount approximately 0.360% per annum.

Low—99.906. Equivalent rate of discount approximately 0.376% per annum.

(63% of the amount bid for at the low price was accepted).

An issue of $1,002,335,000 of bills matured on Nov. 26.

Items About Banks, Trust Companies

A proposal to increase the capital of the Chase National Bank of New York from $100,270,000 to $111,000,000 by transferring $10,730,000 from surplus for that purpose will be submitted to the shareholders of the bank for approval at the annual meeting on Jan. 11. A letter outlining this proposal, signed by Winthrop W. Aldrich, Chairman of the Board of Directors, was mailed to shareholders on Dec. 7 with the formal notice of the annual meeting and proxies.

The bank's announcement says: "This action would round out the par value of each share of stock by increasing it from the odd amount of $13.55 to $15. The number of shares, however, would remain unchanged at 7,400,000. Two-thirds of the stock of the bank must approve the proposed increase of capital in order to make it effective.

"Last September the Board of Directors authorized an increase of $21,460,000 in the surplus of the bank, raising it from $100,270,000 to $121,730,000. That increase in surplus, as announced at the time, was made possible as a result of recoveries, improved earnings, and profits realized on the sale of securities.

"The Chairman's letter adds that the recent increase of surplus and the proposed increase of capital are consistent with the recommendations of national supervisory authorities that banks, insofar as possible, should augment their capital funds by retention of a substantial portion of earnings for that purpose."

The executive committee of the Board of Directors of the Chase National Bank of New York has authorized, subject to approval by the proper Federal agencies, an increase in the supplemental compensation payable to the bank's employees from the present rate of approximately 5% to a rate of 10% on the first $3,000 of annual salaries which do not exceed $6,000.

Announcement of this proposed increase was made in a memorandum addressed to the staff of the bank by H. Donald Campbell, President. He stated that the change will be made applicable to compensation for the first quarter of 1944, if approval is granted by the Federal authorities. He also said that in conformity with the bank's regular practice of reviewing salaries at the end of the year, salary increases will be granted in cases of merit, promotion, and advancement to positions involving increased responsibilities, etc., wherever justified, and as permitted by wage and salary regulations of the Government.

Employees of the Chase National Bank have been receiving supplemental compensation since the final quarter of 1941, with payments computed at the rate of 6% on the first $1,800 of basic annual salary and 4% on the next $1,200.

Frederick E. Hasler, Chairman of the Continental Bank & Trust Co. of New York, announced that at a meeting of the Board of Directors held on Dec. 6, Edwin Van Pelt, Assistant Vice-President, was elected a Vice-President; F. Stafford Cleary, Assistant Treasurer, elected Assistant Vice-President, and Gilbert Henne, Chief Clerk, elected Assistant Treasurer; all located at the Seventh Avenue branch. Talbot Babcock, an Assistant Treasurer at the main office of the bank, 30 Broad Street, was elected an Assistant Vice-President.

The directors of the Continental Bank & Trust Co. at their Dec. 6 meeting voted to transfer $1,000,000 of undivided profits to surplus and at the same time declared the regular quarterly dividend of 20 cents, payable Jan. 1, 1943 to stock of record Dec. 17 next.

E. Chester Gersten, President of the Public National Bank & Trust Company of New York, announced the appointment on Dec. 2 of Garland J. Day as Assistant Vice-President. Mr. Day is identified with the Correspondent Bank Division at the main office of the bank.

Frederick J. Kugelman, Cashier of the National State Bank of Newark, was elected President of the Essex County (N. J.) Bankers' Association at the recent annual meeting. He succeeds M. Raymond Riley, President of Orange First National Bank. Other officers elected, according to the Newark "News," were: First Vice-President, Roy K. Hitchings, President, Irvington National Bank; Second Vice-President, Gustave A. Wiedenmayer, Cashier, National Newark and Essex Banking Co., and Treasurer, Thomas A. Loughlin, Secretary-Treasurer of United States Savings Bank of Newark.

J. Paul Crawford has been elected a Vice-President of the First National Bank of Philadelphia. Mr. Crawford was formerly a Vice-President of the Philadelphia National Bank with which institution he had been connected for the past nine years.

The converstion of the Austin State Bank, Chicago, to a national institution with the title of National Bank of Austin and doubling of the capital of $200,000, is announced by Lester D. Castle, President. The capital increase was accomplished by transferring $50,000 from surplus and by selling 3,000 shares of $50 par stock. The bank's former capital consisted of 5,000 shares of $40 par value. Now the capital account is made up of 8,000 shares of $50 par stock. Plans for the change were noted in these columns of Nov. 4, page 1820.

The Royal Bank of Canada (head office Montreal) announces the appointment of two new Assistant Managers. The appointees are T. H. Atkinson, formerly supervisor of Quebec, New Brunswick and Eastern Ontario branches, and Frank S. Moffitt, who has been supervisor of investments since 1940.

Chrysler Workers Union Makes Wage Demands

Leo LaMotte, National Director of the Chrysler department of the United Automobile Workers (C. I. O.) on Dec 1 stated that the union has presented formal demands for a wage increase for approximately 70,000 employees of the Chrysler Corporation, according to an Associated Press dispatch from Detroit, Mich., which further adds:

"The union, seeking to overturn the Little Steel formula limitations on wages, recently made similar demands on the Ford Motor Company, General Motors Corporation and some smaller manufacturers.

"The union, according to Mr. LaMotte, asked the negotiations start Dec. 21 on its request that an over-all wags increase be determined on the following principles:

"A cost of living adjustment sufficiently in excess of the 15% of the Little Steel formula to meet the 'real' advance in the cost of living; and:

"An additional adjustment to meet special costs and needs faced by war production workers."

Guaranty Trust Survey Shows Business Urges Tax Structure Permitting Post-War Reserves

Economy In Government Expenditures Held Requisite

Stating that business opinion, up to a certain point, supports the general position of the framers of the tax bill as passed by the House on Nov. 24 and sent to the Senate, the Guaranty Trust Co. of New York indicates that this view is reflected in answers to a sampling inquiry by the Trust company, the results of which it made public on Dec. 3.

In an effort to ascertain the tenor of opinion in a number of businesses and industries, the Trust Company asked several representative executives to set forth their views on the vital question of wartime taxation and as to the essential points that should be considered in connection with tax legislation.

According to the Guaranty Trust Co., the replies indicate a preponderance of opinion on the following points:

"Further substantial increases in income tax rates on corporations and on individuals in the middle and higher brackets would be futile and dangerous.

"Additional tax revenue, if needed, should be obtained by broadening the tax base, either through lower personal exemptions, higher excise taxes, or, best of all, a general sales tax.

"The most objectionable features of the present law are the capital stock tax and the declared-value excess profits tax.

"It is highly important that the tax structure be such as to permit business concerns to build up adequate post-war reserves.

"The tax system is greatly in need of simplification and, as far as possible, stabilization.

"The present fiscal problem can be solved largely if not wholly by economy in Government expenditure.

"Double taxation of corporation earnings in the form of profits and dividends should be abolished.

"The provisions of the law dealing with capital gains and losses, excess profits tax credits and the spreading of losses should be liberalized.

"Estate, gift and social security taxes should not be raised at present, and the social security tax should be used exclusively for social security purposes.

"High tax rates are accepted as necessary, and objections are raised only against those provisions of the law that are considered inequitable in their operation.

"On the following points opinion is divided, or there appears to be no pronounced sentiment among the business men responding to this company's inquiry:

"Further increase in the excess profits tax.

"The importance of renegotiation of war contracts.

"The compulsory savings plan."

The Trust Company indicates that businessmen believe that economy in Government expenditures is a prime requisite, even in wartime. Nor, it states, is the recommendation confined to civil expenditures; it applies also to those classified as for war. Some correspondents place this at the top of their list of suggestions. One goes so far as to say flatly that "the limit has been reached in the amount which corporations and individuals can pay" and suggests that "pressure be put on Congress and the Administration to secure any additional funds by a reduction in governmental cost."

It is further stated in the announcement by the Guaranty Trust Co.:

"Among the most widely advocated measures for the reform of the Federal tax system is the elimination of the double taxation of income in the form of corporate earnings and of dividends to stockholders.

"On no subject are the replies more generally agreed or more emphatic than on the view that income tax rates both on individuals and on corporations, particularly the latter, are about as high as they can safely be made. One typical comment says: 'Corporation taxes, instead of being increased, should be decreased. Perhaps it would be unwise to decrease them at the present time, but certainly they will have to be decreased at the earliest possible date, or the incentive of management will be destroyed, with the result that the ability of private business to provide employment in the post-war era will be greatly decreased.'

"There is a division of opinion on the excess profits tax, with some correspondents flatly opposing any increase and others conceding the possible desirability of a rise to 95 or even 100%. Some correspondents feel that there should be inserted in the law a clause giving definite assurance that the excess profits tax will be abolished within a brief period after the end of the war. This, according to one official, 'would enable taxpayers to proceed with their plans for necessary post-war adjustment and would be of material assistance in the development of new enterprises, thus avoiding in some measure the shock of post-war deflation. It would serve also as a notice to the taxpayers that Congress considered the excess profits tax as a war measure and not part of our peacetime tax structure.'

"Representative of the general opinion concerning individual income tax rates in the middle and higher brackets is the comment that 'existing rates have reached a level where increases would be merely for political purposes, since they would neither produce substantial additional revenue nor affect inflation.'

"There is no pronounced opposition to higher excise taxes; on the contrary, a majority of those who express themselves on the question mention this among the most feasible methods of obtaining additional revenues. Much stronger, however, is sentiment in favor of broadening the excises into a general sales tax, either with or without exceptions for such necessities as food. On no point is business opinion more nearly unanimous. Underlying the proposal is the central thought that existing taxes fail to reach the great bulk of war-swollen income and that the general sales tax offers the simplest and readiest means of achieving this end.

"The features of the present tax law that are most strongly objected to are the capital stock tax and the closely related declared-value excess profits tax. . . .

"Concern over the question of post-war reserves is widely expressed. An executive of a large airplane corporation complains of 'the inability of a company today to set up post-war conversion reserves of its own on a more realistic basis than the arbitrary one provided in the tax law.' Another official suggests that the pending bill should contain 'provision for the setting up of reserves before taxes to meet the inevitable costs of (a) reconversion, (b) decline in inventory values following the war, (c) deferred maintenance and repairs.' A third believes that 'the outstanding tax problem today is to write a law that will permit corporations to be solvent and in liquid position at the end of the war. Some definite provision should be made to permit corporations to charge operating expenses and place in a reserve fund suitable amounts for post-war reconversion, for inventory declines that will come some time after the crest of the war, in order that corporations may enter the post-war period in a financial condition for immediate conversion to peace time production. I believe such a provision will make it possible for industry in this country to continue to operate at a very high percentage of capacity, and by that means it will be able to absorb the soldiers returning from the armed services, as well as reemploy those persons now working in munitions and war material plants.'

"One of the most generally felt needs is that of simplification of the tax structure. The 'extreme complexity of our income tax system' is described by one correspondent as an 'obstacle of great importance in the path of American business.' Another points out that 'individuals, even those with small incomes, require advice as to how to do all the accounting necessary these days.' . . .

"The most widely advocated means of simplification is repeal of the Victory tax. This is suggested not as a method of tax reduction but purely as a step toward greater simplicity, and the recommendation is generally linked with the proposal that income tax rates be raised accordingly. In this respect, business opinion seems to be in substantial agreement with those who framed the pending bill. There is some support for the further proposed step of combining the normal tax and surtax into a single series of rate brackets."

Shorter Hours Without Wage Cuts Urged By Green In Post-War Era

Labor will demand shorter post-war hour standards without reductions in earnings, William Green, President of the American Federation of Labor, told the Truman war investigating committee of the Senate on Dec. 3.

Asserting that the Administration has not kept its part of the no-strike agreement by adjusting wages to absorb increasing living costs, Mr. Green added:

"We shall endeavor to restore equity by insisting that peacetime hour standards shall be established without reductions in earnings."

In Associated Press Washington advices, he was further quoted as saying:

Mr. Green endorsed Donald M. Nelson, Chairman of the War Production Board, as the man best fitted to guide the post-war reconversion program.

"Because of his valuable training and experience," Mr. Green said, "Mr. Nelson is especially well equipped for this job. I know of no man who has rendered a more valuable service during the war."

Mr. Green suggested that Mr. Nelson function under a "top policy council" in which Congress, management, labor and farmers would be represented.

Referring to labor's part in the war, Mr. Green said workers have had to depend on longer hours to meet increased living costs.

Commenting on the Truman committee's report urging labor to be "realistic" about wage adjustments in the post-war period, Mr. Green said downward revision would not be economically advisable.

"If industry adopts such a plan on a nation-wide scale, it will be cutting off its own nose," he asserted.